United Nations A/66/266

General Assembly

Distr.: General
4 August 2011

Original: English

**Sixty-sixth session**
Items 133 and 134 of the provisional agenda*

**Programme budget for the biennium 2010-2011**

**Proposed programme budget for the biennium 2012-2013**

# Administrative expenses of the United Nations Joint Staff Pension Fund and transitional measures concerning the Fund's financial reporting under the International Public Sector Accounting Standards

## Report of the United Nations Joint Staff Pension Board

* A/66/150

11-44576 (E) 150911

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*Summary*

The present report contains the revised budget for the United Nations Joint Staff Pension Fund for the biennium 2010-2011, which indicates a reduction in appropriations amounting to $21,772,800. This reduction comprises amounts under expenditures of administrative costs ($11,830,000), investment costs ($9,908,500) and audit costs ($112,100), partly offset by an increase of $77,800 for Board expenses. The revised appropriations for the biennium 2010-2011 would then amount to $154,545,700, divided into: administrative costs ($80,478,500), investment costs ($71,289,000), audit costs ($2,532,900) and Board expenses ($245,300). Of this amount, $21,508,700 is chargeable to the United Nations under the cost-sharing arrangement.

The report also contains budget estimates for the period from 1 January 2012 to 31 December 2013, which amount to $191,620,600 (before recosting) for administrative costs ($96,873,100), investment costs ($91,799,300), audit costs ($2,748,200) and Pension Board expenses ($200,000). The report provides for a total of 227 continuing established posts, 17 temporary posts, 7 new established posts and the reclassification of 1 post.

**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Administrative[a,b] | 92 308.5 | 96 873.1 | 188 | 187 |
| Investment | 81 197.5 | 91 799.3 | 58 | 65 |
| Audit | 2 645.0 | 2 748.2 | | |
| Pension Board | 167.5 | 200.0 | | |
| **Total** | **176 318.5** | **191 620.6** | **246** | **252** |

[a] One extrabudgetary General Service (Other level) post funded by member organizations.
[b] Includes 18 Integrated Pension Administration System temporary posts; 1 post at the P-4 level was abolished in 2011.

# I. Overview

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. There are currently 23 member organizations; the combined number of active participants and benefits in payment as of 31 December 2010 amounted to 184,968.

2. In accordance with the Regulations adopted by the General Assembly, the Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads and one third by the participants. The Pension Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations, which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation, and the benefits to which participants and their dependants may become entitled.

# II. Budget estimates for the biennium 2010-2011: performance report

3. Table 1 summarizes the total estimated expenditures for the biennium 2010-2011. In order to make the performance report of the Fund more meaningful, the expenditures for the biennium comprise two distinct elements: (a) actual expenditures for the 17-month period from 1 January 2010 through 31 May 2011; and (b) estimated expenditures for the 7-month period from 1 June through 31 December 2011. The actual expenditures for the period from 1 January through 31 May 2011 have been calculated on the accrual basis of accounting, meaning that the effects of transactions and other events are recognized in financial statements when they occur and not when cash and cash equivalents are received or paid.

4. In resolution 64/245, the General Assembly approved appropriations for the biennium 2010-2011 totalling $176,318,500, comprising administrative costs ($92,281,400), investment costs ($81,292,100), audit costs ($2,645,000) and Board expenses ($100,000). Of this amount, $154,749,100 is chargeable directly to the Fund and $21,569,400 being the share of costs borne by the United Nations. In addition, resources amounting to $158,200 were authorized for extrabudgetary costs and funded by a number of member organizations. In its resolution 65/249, the General Assembly approved the redeployment of appropriations to meet the requirements of the Fund. The revised appropriation comprises administrative costs ($92,308,500), investment costs ($81,197,500), audit costs ($2,645,000) and Board expenses ($167,500). The amount chargeable directly to the Fund and the share of costs borne by the United Nations remain unchanged at $154,749,100 and $21,569,400, respectively.

Table 1

**Revised estimates for the biennium 2010-2011 by object of expenditure**

(Thousands of United States dollars)

| | *Approved appropriations* | | | *Expenditures for the 17-month period 1 January 2010-31 May 2011* | | | *Estimated expenditures for the 7-month period 1 June-31 December 2011* | | | *Increase or (decrease) for the biennium 2010-2011* | | | *Proposed final 2010-2011 appropriations* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* |
| | *(a)* | | | *(b)* | | | *(c)* | | | *(d) = (b) + (c) − (a)* | | | *(e) = (a) + (d)* | | |
| **Administrative costs** | | | | | | | | | | | | | | | |
| Posts | 26 386.6 | 12 344.8 | 38 731.4 | 16 442.4 | 7 739.9 | 24 182.3 | 8 213.8 | 3 829.8 | 12 043.6 | (1 730.4) | (775.1) | (2 505.5) | 24 656.2 | 11 569.7 | 36 225.9 |
| Temporary posts | 2 870.3 | — | 2 870.3 | 807.1 | — | 807.1 | 258.0 | — | 258.0 | (1 805.2) | — | (1 805.2) | 1 065.1 | — | 1 065.1 |
| Other staff costs | 2 830.8 | 1 202.0 | 4 032.8 | 1 958.8 | 932.6 | 2 891.4 | 1 260.5 | 538.6 | 1 799.1 | 388.5 | 269.2 | 657.7 | 3 219.3 | 1 471.2 | 4 690.5 |
| Consultants | 537.6 | — | 537.6 | 205.9 | — | 205.9 | 132.6 | — | 132.6 | (199.1) | — | (199.1) | 338.5 | — | 338.5 |
| Travel | 1 360.6 | — | 1 360.6 | 907.2 | — | 907.2 | 389.9 | — | 389.9 | (63.5) | — | (63.5) | 1 297.1 | — | 1 297.1 |
| Contractual services | 21 908.3 | 3 851.7 | 25 760.0 | 12 144.7 | 3 163.6 | 15 308.3 | 2 651.8 | 521.5 | 3 173.3 | (7 111.8) | (166.6) | (7 278.4) | 14 796.5 | 3 685.1 | 18 481.6 |
| Hospitality | 4.0 | — | 4.0 | 4.3 | — | 4.3 | 1.0 | — | 1.0 | 1.3 | — | 1.3 | 5.3 | — | 5.3 |
| General operating expenses | 9 581.6 | 3 220.1 | 12 801.7 | 6 703.9 | 3 125.8 | 9 829.7 | 4 442.8 | 712.1 | 5 154.9 | 1 565.1 | 617.8 | 2 182.9 | 11 146.7 | 3 837.9 | 14 984.6 |
| Supplies and materials | 140.1 | 70.0 | 210.1 | 252.4 | 55.1 | 307.5 | 54.9 | 27.5 | 82.4 | 167.2 | 12.6 | 179.8 | 307.3 | 82.6 | 389.9 |
| Furniture and equipment | 5 560.0 | 440.0 | 6 000.0 | 481.5 | 114.1 | 595.6 | 2 078.5 | 325.9 | 2 404.4 | (3 000.0) | — | (3 000.0) | 2 560.0 | 440.0 | 3 000.0 |
| **Total** | **71 179.9** | **21 128.6** | **92 308.5** | **39 908.2** | **15 131.1** | **55 039.3** | **19 483.8** | **5 955.4** | **25 439.2** | **(11 787.9)** | **(42.1)** | **(11 830.0)** | **59 392.0** | **21 086.5** | **80 478.5** |
| **Investment costs** | | | | | | | | | | | | | | | |
| Posts | 15 344.0 | — | 15 344.0 | 9 115.1 | — | 9 115.1 | 5 275.5 | — | 5 275.5 | (953.4) | — | (953.4) | 14 390.6 | — | 14 390.6 |
| Other staff costs | 2 361.8 | — | 2 361.8 | 753.4 | — | 753.4 | 1 738.7 | — | 1 738.7 | 130.3 | — | 130.3 | 2 492.1 | — | 2 492.1 |
| Consultants | 2 328.8 | — | 2 328.8 | 702.6 | — | 702.6 | 1 626.2 | — | 1 626.2 | — | — | — | 2 328.8 | — | 2 328.8 |
| Travel | 2 000.0 | — | 2 000.0 | 1 100.6 | — | 1 100.6 | 610.4 | — | 610.4 | (289.0) | — | (289.0) | 1 711.0 | — | 1 711.0 |
| Contractual services | 52 878.9 | — | 52 878.9 | 32 839.7 | — | 32 839.7 | 11 594.0 | — | 11 594.0 | (8 445.2) | — | (8 445.2) | 44 433.7 | — | 44 433.7 |
| Hospitality | 22.0 | — | 22.0 | 20.4 | — | 20.4 | 3.0 | — | 3.0 | 1.4 | — | 1.4 | 23.4 | — | 23.4 |
| General operating expenses | 5 402.0 | — | 5 402.0 | 2 787.4 | — | 2 787.4 | 2 283.5 | — | 2 283.5 | (331.1) | — | (331.1) | 5 070.9 | — | 5 070.9 |
| Supplies and materials | 160.0 | — | 160.0 | 53.8 | — | 53.8 | 105.8 | — | 105.8 | (0.4) | — | (0.4) | 159.6 | — | 159.6 |
| Furniture and equipment | 700.0 | — | 700.0 | 218.6 | — | 218.6 | 460.3 | — | 460.3 | (21.1) | — | (21.1) | 678.9 | — | 678.9 |
| **Total** | **81 197.5** | | **81 197.5** | **47 591.6** | | **47 591.6** | **23 697.4** | | **23 697.4** | **(9 908.5)** | | **(9 908.5)** | **71 289.0** | | **71 289.0** |

| | *Approved appropriations* | | | *Expenditures for the 17-month period 1 January 2010-31 May 2011* | | | *Estimated expenditures for the 7-month period 1 June-31 December 2011* | | | *Increase or (decrease) for the biennium 2010-2011* | | | *Proposed final 2010-2011 appropriations* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* | *Pension Fund* | *United Nations* | *Total* |
| | *(a)* | | | *(b)* | | | *(c)* | | | *(d) = (b) + (c) – (a)* | | | *(e) = (a) + (d)* | | |
| **Audit costs** | | | | | | | | | | | | | | | |
| External audit | 551.0 | 110.2 | 661.2 | 244.6 | 48.9 | 293.5 | 306.4 | 61.3 | 367.7 | — | — | — | 551.0 | 110.2 | 661.2 |
| Internal audit | 1 653.2 | 330.6 | 1 983.8 | 821.4 | 164.3 | 985.7 | 738.3 | 147.7 | 886.0 | (93.5) | (18.6) | (112.1) | 1 559.7 | 312.0 | 1 871.7 |
| **Total** | **2 204.2** | **440.8** | **2 645.0** | **1 066.0** | **213.2** | **1 279.2** | **1 044.7** | **209.0** | **1 253.7** | **(93.5)** | **(18.6)** | **(112.1)** | **2 110.7** | **422.2** | **2 532.9** |
| Board expenses | 167.5 | — | 167.5 | 199.4 | — | 199.4 | 45.9 | — | 45.9 | 77.8 | — | 77.8 | 245.3 | — | 245.3 |
| **Total resources** | **154 749.1** | **21 569.4** | **176 318.5** | **88 765.2** | **15 344.3** | **104 109.5** | **44 271.8** | **6 164.4** | **50 436.2** | **(21 712.1)** | **(60.7)** | **(21 772.8)** | **133 037.0** | **21 508.7** | **154 545.7** |
| **Extrabudgetary costs (after-service health insurance system)** | | | | | | | | | | | | | | | |
| **Operational activities** | **158.2** | **—** | **158.2** | **90.0** | **—** | **90.0** | **54.3** | **—** | **54.3** | **(13.9)** | **—** | **(13.9)** | **144.3** | **—** | **144.3** |

5. The revised appropriations were approved for:

(a) Administrative costs: an increase of $94,600 in general temporary assistance expenditure to cover the cost of one post at the P-4 level related to the implementation of the International Public Sector Accounting Standards (IPSAS);

(b) Investment costs: a decrease in contractual services of $94,600.

6. Total expenditure for the biennium 2010-2011 is estimated at $154,545,700, comprised of administrative costs ($80,478,500), investment costs ($71,289,000), audit costs ($2,532,900) and Board expenses ($245,300), resulting in an underexpenditure of $21,772,800, or 12.3 per cent of the total appropriation. In addition, the projected expenditure of $144,300 for extrabudgetary costs will result in an underexpenditure of $13,900, or 8.8 per cent of the appropriation.

## A. Administrative costs

7. The $80,478,500 estimated administrative costs will result in an underexpenditure of $11,830,000, or 12.8 per cent. The main resource variances that contribute to the net underexpenditure are due primarily to the Integrated Pension Administration System project as a result of a refinement in the project plan and the addition of new foundational activities as well as the installation of the new information technology infrastructure as explained in paragraphs 13 to 17 below. The Integrated Pension Administration System project is a major capital project for the Pension Fund and, as such, table 2 highlights the split between the estimated expenditure of the Integrated Pension Administration System project and non-Integrated Pension Administration System projects for the biennium 2010-2011.

8. The major resource variances not related to the Integrated Pension Administration System include:

### 1. Posts — underexpenditure of $2,505,500

9. The underexpenditure is mainly due to a higher average vacancy rate early in the biennium.

### 2. Other staff costs — overexpenditure of $657,700

10. The higher than expected expenditure is owing mainly to the need for general temporary assistance as a result of increased workload owing to the increase in the number of participants, retirees and other beneficiaries.

### 3. General operating expenses — overexpenditure of $2,182,900

11. The higher than expected expenditure is owing mainly to bank charges, which are estimated to be $2,500,000. Estimates for bank charges were included in the 2010-2011 budget estimates report presented to the Board, under the general operating expenses category, which, after consideration by the Board, was eliminated in the budget report to the General Assembly (see A/64/291, annex VII, para. 34). The amount of $2,500,000 for bank charges for benefit payments is based on actual charges incurred in the 2008-2009 performance period.

## 4. Projects undertaken in the biennium 2010-2011

12. Brief details of the status of information technology projects undertaken in the biennium 2010-2011 are given below.

Table 2
**Status of projects, 2010-2011**
(United States dollars)

| *Project* | *Projected/actual completion date* | *Appropriation* | *Estimated expenditure* | *Overexpenditure or (underexpenditure)* |
|---|---|---|---|---|
| Integrated Pension Administration System | May 2014 | 14 361 400 | 2 299 906 | (12 061 494) |
| Member organization information-sharing initiatives | December 2011 | 1 749 773 | 1 749 773 | |
| Client services initiatives | December 2011 | 469 671 | 469 671 | |
| Web system initiatives | December 2011 | 1 709 342 | 1 709 342 | |
| Enterprise system initiatives | December 2011 | 1 063 280 | 1 063 280 | |
| Enterprise operations initiatives | December 2011 | 1 031 400 | 1 031 400 | |
| Information technology consolidation with Investment Management Service | December 2011 | 461 633 | 461 633 | |
| **Total** | | **20 846 499** | **8 785 005** | **(12 061 494)** |

### Integrated Pension Administration System initiative

13. During the biennium 2010-2011, the Fund continued with the project's major foundational tasks including: (a) constructing a comprehensive data dictionary of the current systems (PENSYS and Lawson); (b) producing a detailed data analysis of the current systems; (c) cleaning data, utilizing specialized "bulk" programmes, and through the work of the Integrated Pension Administration System project team staff with the PENSYS and Lawson databases; (d) updating procedural documentation (to complement the process maps produced under the planning and design phase of the project); (e) producing the first set of calculation formulas to set out the complex and detailed calculation basis of the Pension Fund and be ready for the sign-off of these from in-house and external experts during the implementation phase; (f) updating of technical documentation which sets out the detailed data exchanges (interfaces) that exist between the current systems and other entities; and (g) creating the first set of detailed test libraries covering the interfaces and calculations.

14. The project started two additional initiatives not considered in the original plan. The first initiative refers to an extensive bottom-up review of the statement of requirements produced during the first phase of the project. During this phase, the target operating model and project scope were refined. New functional and information technology requirements were expanded. The final statement of work considers 333 detailed functional and information technology specifications in addition to 18 key high-level requirements.

15. The second initiative relates to the exploration of new technologies as the means to develop better interfaces that would allow a seamless payroll connection (between the Integrated Pension Administration System and member organizations'

human resources and finance systems) and that would enable a better use of existing databases to automate verification of contribution calculations and establish other data quality protocols. In the light of the recent strategy adopted by many member organizations to migrate to enterprise resource planning platforms, the Fund is studying the possibility of establishing common interfaces using newer technologies. At the completion of the implementation of the SAP software by the United Nations, it is estimated that 96 per cent of the Pension Fund participants' data will be maintained under an enterprise resource planning platform. This initiative is closely connected with the development of Integrated Pension Administration System since the amended specifications consider: (a) the need for a seamless payroll connection; (b) the tools for an efficient utilization of the common enterprise resource planning interfaces; and (c) the development of a web-entry system (for those organizations lacking enterprise resource planning platforms).

16. The two additional initiatives yielded more detailed specifications that will guide the parameterization and functionality building process in a more precise and effective manner. This will improve the new system and save time and resources in post-implementation changes. In addition, the Integrated Pension Administration System project will try to harmonize as early as possible its data requirements with the data generated by the enterprise resource planning systems of member organizations. Naturally, the success of the System is closely linked to the quality, timeliness and availability of the human resources and financial data supplied by the Fund's member organizations.

17. While the Integrated Pension Administration System project's overall estimated cost of $22,660,300 (before recosting) remains unchanged, additional activities have been incorporated into the project plan, and the procurement process has been significantly modified to incorporate a two-stage evaluation (as suggested by the United Nations Procurement Division). These changes resulted in an extension of the original timeline and a corresponding shift in the estimated timing of the expenditures. Table 3 highlights the estimated expenditure for the biennium 2010-2011 as well as the overall estimated project cost.

Table 3
**Summary of resource requirements for the Integrated Pension Administration System**

(Thousands of United States dollars)

| | *Biennium 2010-2011* | | | | *Biennium 2012-2013* | *Biennium 2014-2015* | *Total project* |
|---|---|---|---|---|---|---|---|
| *Administrative costs* | *Approved appropriations* | *Estimated expenditure* | *Increase/ (decrease)* | *Proposed final appropriations* | *Requested appropriations* | *Estimated appropriations* | *Estimated appropriations* |
| Temporary posts | 2 870.3 | 1 065.1 | (1 805.2) | 1 065.1 | 3 670.8 | 957.7 | 5 693.6 |
| Travel | 84.8 | 84.8 | — | 84.8 | — | — | 84.8 |
| Contractual services | 8 406.3 | 1 150.0 | (7 256.3) | 1 150.0 | 11 966.3 | 3 765.6 | 16 881.9 |
| Furniture and equipment | 3 000.0 | — | (3 000.0) | — | — | — | — |
| **Total** | **14 361.4** | **2 299.9** | **(12 061.5)** | **2 299.9** | **15 637.1** | **4 723.3** | **22 660.3** |

***Furniture and equipment — underexpenditure of $3,000,000***

18. The lower than expected expenditure is the result of a decision to install the information technology hardware required by the project in the Fund's new data centre owing to vulnerabilities identified in the data centre at 1 Dag Hammarskjöld Plaza. The project's original strategy was to acquire 12 new servers and 15 storage area network modules as well as uninterruptible power supply expansions and install them in the data centre located on the fourth floor of 1 Dag Hammarskjöld Plaza to provide the required additional capacity to host the new system applications.

19. However, owing to serious vulnerabilities identified in the data centre at 1 Dag Hammarskjöld Plaza, this strategy was not considered viable. The Business Impact Analysis conducted in 2009 and presented to the Pension Board in 2010 revealed that while the data centre had installed a UPS system, there was no power generator to deal with possible power failures from the utility company (or building electrical system). An earlier assessment of the data centre against industry practices for a production data centre gave the facility an availability rating of 2 out of 10 (10 being the highest or best possible score). Therefore, installing new hardware in the data centre at 1 Dag Hammarskjöld Plaza would represent serious risks to the Integrated Pension Administration System project.

20. After an extensive search for a suitable alternative, the Fund decided to migrate the information and communications technology infrastructure located at 1 Dag Hammarskjöld Plaza to the new North American data centre, which is a new and more robust data centre that would be able to properly ensure operational availability of its mission critical systems. The North American data centre is classified as tier 3 according to the Telecommunications Industry Association standards (TIA-942 DC), which guarantees 99.9 per cent uptime and availability.

***Contractual services — underexpenditure of $7,256,300***

21. The lower than expected expenditure is owing mainly to the change in location of the data centre to host the new system applications. When the existing equipment at 1 Dag Hammarskjöld Plaza was moved to the new North American data centre, additional new equipment in the amount of $750,000 was acquired and installed in the North American data centre to adequately cover all of the expected capacity needs of the Integrated Pension Administration System. A request for proposal has been issued for $400,000 to retain a specialized consulting firm to assist in the re-engineering of its processes as per the new target operating model and new operational paradigm as well as to develop test scenarios to serve as the basis for ensuring that the new system is able to process entitlements and payments accurately, safely and efficiently.

22. The above-mentioned initiatives enable the Integrated Pension Administration System project to be in a better position to start its next phase, but this represents a shift in the original timeline. The project's 30-month estimate for full system deployment (after the proof of concept has been tested and approved) has not changed. Therefore, the completion of system implementation is expected by April 2014 and parallel testing and training by November 2014. However, this target date is dependent on the duration of the remaining procurement/contractual activities which are expected to be completed in nine months. Consequently, the appropriations for the development, parameterization and implementation of the new software applications considered in the budget for 2010-2011 ($7,256,300) will not be exercised until the

biennium 2012-2013. The project's detailed timeline and description of activities is included in annex II of the supplementary financial information.

***Temporary posts — underexpenditure of $1,805,200***

23. The lower than expected expenditure in posts is owing primarily to a staggered recruitment approach which was adopted to make the best use of the project's resources and which responds to the updating of the project's timeline.

**Client services initiatives**

24. A pilot project (iServ), based on Oracle's Siebel customer relationship management, was commissioned with the goal of streamlining and automating incidents reported to the Fund's webmaster. The exercise proved to be much more complex and challenging than initially estimated but helped the Fund gain substantial knowledge about implementing a customer relationship management system and provided many valuable lessons. It also helped the Fund determine that introducing a comprehensive customer relationship management solution right away into its core business activities might not be the most practical, advisable or cost-effective action (especially so considering that customer relationship management could be a part of the Integrated Pension Administration System initiative), whereas addressing the most critical needs of the Client Services Unit in the short term by building smaller localized applications would prepare it better in understanding how to shape the customer relationship management system when it is eventually integrated with the business processes.

25. As an alternative, a Lotus Notes-based custom application has been developed to track interactions with clients who visit the Fund in person or phone. Not only does the application record valuable information, such as the area of service requested, mode the service was provided in (walk in or phone) and the time taken to service a client, it provides an easy-to-use reporting and analytics tool (including dashboards) that can be used to view statistics and trends over a period of time. It is envisioned that as time goes by, this application will be enhanced to incorporate additional features covering a broader spectrum of client services activities.

**Web systems initiatives**

26. The web systems initiatives keep providing beneficiaries and participants with direct access to personalized information through the use of custom web-based applications. Critical applications, including the two-track and benefit estimate systems, certificate of entitlement tracking and annual statements, have now become a standard service for clients. The cost-of-living notification, produced whenever there is a change in the cost-of-living index and/or the quarterly exchange rate, is now available on the Web for registered beneficiaries in receipt of a monthly benefit. The interface for the benefit estimator available through the annual statement application has been redesigned and is now available to clients since the release of the 2009 annual statement. As part of the Fund's ongoing efforts to support the increasing number of visitors, parts of the website infrastructure and applications were upgraded to provide a more stable and secure environment. New web-based portals were added to provide role-based and secure single-point interfaces for many Fund-wide web applications. Additional e-learning applications and onboarding workshops have been added to accommodate training requirements,

and several new courses will be made available in 2011. A case digest for the Legal Office has been developed and will also be available on the website in 2011.

**Enterprise systems initiatives**

27. The enterprise systems initiatives will ensure that mission-critical business systems (for example, Content Manager and Lawson) are current with vendor updates, releases and upgrades, while keeping pace with changes to the business model of the Fund. All necessary updates, releases and upgrades have been or are expected to be successfully installed by the end of 2011.

**Enterprise operations initiatives**

28. As part of the enterprise operations mandate, all mission critical systems have been transferred to a new site in Piscataway, New Jersey. The new facility is a Tier III data centre fault tolerant providing 99.9 per cent availability. Telecommunication equipment will continue to be hosted by the data centre at 1 Dag Hammarskjöld Plaza, while the Geneva data centre hosts the support systems for the Geneva office and the business continuity and disaster recovery environment. As part of the data centre relocation project, the storage area network has been upgraded, increasing the capacity and reducing the systems response time. A new virtual infrastructure was built enabling 70 per cent of the Fund's servers to run on virtual farms, thereby increasing operational efficiency and availability and improving manageability of the server infrastructure. The Lawson and database servers have been upgraded, and a fail-over cluster was implemented to optimize the recovery time and response to users. The relocation of the Geneva Data Centre is in progress. The new facilities are managed by the International Computing Centre and will allow the Fund to virtualize 95 per cent of the servers and support redundancy for the web environment. A new data backup system has been implemented reducing the maintenance window and the file recovery time. An enterprise e-mail archiving solution has been implemented in the Pension Fund in order to manage the e-mail service efficiently and to keep up with the growing mailboxes and unlimited retention policy of the organization. In the process, Pension Fund e-mail servers and clients have been constantly upgraded to the most current releases. It is anticipated that by the end of 2011, the Information Management Systems Service will complete an upgrade of the UPS system.

**Information technology consolidation with the Investment Management Division initiative**

29. Information technology consolidation with the Investment Management Division is progressing as planned and is scheduled to finish during the current biennium. Based on the signed service delivery agreements between the Information Management Systems Service and the Investment Management Division, several infrastructure projects were executed successfully and in a timely manner within the shared infrastructure environment. These include the trade order management system, Society for Worldwide Interbank Financial Telecommunication (SWIFT), and document management system. A disaster recovery environment for the trade order management system and SWIFT was also successfully built and tested in Geneva. Work is in progress for the final 5 out of the 38 areas identified for consolidation and is anticipated to be completed during the current biennium. These include network, help desk, provision of directory services, file sharing and e-mail consolidations.

## B. Investment costs

30. The $71,289,000 estimated administrative costs will result in an underexpenditure of $9,908,500, or 12.2 per cent. The main resource variances that contribute to the net underexpenditure include:

### 1. Posts — underexpenditure of $953,400

31. The underexpenditure is due mainly to the later than expected recruitment of staff.

### 2. Travel — underexpenditure of $289,000

32. The underexpenditure is owing mainly to the later than expected recruitment of staff and the availability of staff as a result of work schedules. The lower requirement was offset by higher travel costs for the members of the Investment Committee.

### 3. General operating expenses — underexpenditure of $331,100

33. The underexpenditure is attributable to lower than anticipated costs for charges such as chilled water, cleaning services and building operating expenses.

### 4. Contractual services — underexpenditure of $8,445,200

Table 4
**Contractual services: estimated expenditures 2010-2011**
(Thousands of United States dollars)

| *Category* | *Appropriations 2010-2011* | *Estimated expenditures* | *Overexpenditure or (underexpenditure)* |
|---|---|---|---|
| External legal consultant | 1 200.0 | 1 200.0 | |
| Third-party service providers | | | |
| (a) Global custodian and advisers | | | |
| Global custodian | 6 952.0 | 3 743.8 | (3 208.2) |
| Advisers | 16 976.4 | 14 994.0 | (1 982.4) |
| **Subtotal (a)** | **23 928.4** | **18 737.8** | **(5 190.6)** |
| (b) Portfolio management | | | |
| Small capitalization | 12 500.0 | 13 562.4 | 1 062.4 |
| Publicly traded real estate | 2 700.0 | 700.0 | (2 000.0) |
| **Subtotal (b)** | **15 200.0** | **14 252.4** | **(937.6)** |
| (c) Market data services | 3 541.5 | 2 399.5 | (1 142.0) |
| **Subtotal third-party service providers** | **42 669.9** | **35 399.7** | **(7 270.2)** |
| SWIFT contractual services | 590.0 | 345.0 | (245.0) |
| Other contractual services | 8 419.0 | 7 489.0 | (930.0) |
| **Total** | **52 878.9** | **44 433.7** | **(8 445.2)** |

34. The underexpenditure is attributable to several factors including: delay in the procurement processes for the multiple custodians and independent master record keeper, and the hiring of a manager of publicly traded real estate as well as advisers on fixed income, real assets and alternative investment; and the lower than anticipated cost of procuring applications, such as the disaster recovery solution, SWIFT and the compliance system. The reduced requirements were partly offset by the increase in the cost of small capitalization as a result of the increase in fees, based on good performance.

## 5. Projects undertaken in the biennium 2010-2011

35. Table 5 shows the status of information technology projects funded and undertaken in the biennium 2010-2011.

Table 5
**Status of projects, biennium 2010-2011**
(United States dollars)

| *Project* | *Projected/actual completion date* | *Appropriation* | *Estimated expenditure* | *Overexpenditure or (underexpenditure)* |
|---|---|---|---|---|
| Portfolio risk analysis and performance attribution | June 2011 | 1 390 000 | 1 280 000 | 110 000 |
| Electronic order management and trading (Charles River System) | March 2011 | 1 120 000 | 1 120 000 | |
| Compliance pre-trading and post-trading | March 2011 | 970 000 | 870 000 | 100 000 |
| Portfolio accounting and reconciliation | December 2011 | 2 790 000 | 2 390 000 | 400 000 |
| Data hub system | June 2012 | 820 000 | 820 000 | |
| OMEGEO, FXALL, Tradeweb and other confirmation and trading platforms are being integrated into the Charles River System | December 2011 | 1 170 000 | 850 000 | 320 000 |
| SWIFT, including upgrade of SWIFT to version 7 | June 2011 | 590 000 | 345 000 | 245 000 |
| **Total** | | **8 850 000** | **7 675 000** | **1 175 000** |
| **Operating expenses** | | | | |
| Charles River in disaster recovery site (International Computing Centre Geneva) | December 2011 | 200 000 | 143 771 | 56 229 |
| SWIFT in disaster recovery site (International Computing Centre Geneva) | December 2011 | 200 000 | 221 805 | (21 805) |
| SunGard | | 200 000 | | (200 000) |
| **Total** | | **600 000** | **365 576** | **(234 424)** |
| **Furniture and equipment** | | | | |
| Sun servers | May 2011 | 500 000 | 500 000 | |
| Desktops | June 2011 | 100 000 | 100 000 | |
| Laptops | June 2011 | 73 400 | 70 000 | 3 400 |
| **Total** | | **673 400** | **670 000** | **3 400** |

**Portfolio risk analysis and performance attribution system**

36. As of February 2011, the Investment Management Division is performing user acceptance tests for most risk analysis scenarios. Some important risk reports have been designed. However, the Division is still waiting for further contracts with various data feeds to be completed by the Procurement Division and the Office of Legal Affairs. These data feeds of market data are essential for the completion of Risk Metrics implementation. After the implementation is completed, an ongoing service will be maintained. This project is expected to be finalized and fully in production by October 2011, provided that data feeds contracts are finalized.

**Electronic order management and trading system**

37. The Charles River System is in production as of March 2010. The current production implementation encompasses equity, foreign exchange and fixed income transactions. It also includes the connectivity with brokers via the protocol FIX, and the connectivity with custodian bank via SWIFT. The Investment Management Division has been trading electronically all equity assets. The Division is working on installing electronic platforms for the other assets. Currently, 99 per cent of the cross asset settlements are completed through SWIFT. The Investment Management Division continues to support and enhance the Charles River working environment.

**Compliance pre-trading and post-trading system**

38. The pre-trading and post-trading system (Charles River) has been implemented and in production since March 2010. The Investment Management Division continues to maintain and update the compliance rules as required.

**Portfolio accounting and reconciliation system**

39. The portfolio accounting and reconciliation system was awarded to Murex North America in April 2010, and the legal contract was signed in February 2011. The project kick-off meeting took place on 16 February 2011. The Investment Management Division is currently finalizing the implementation plan and committing resources with a target to deliver a first phase implementation by 30 June 2011. It is estimated that the project will be completed by 31 December 2011. It is important to note that this project encompasses the conversion to IPSAS for investment activities.

**Data hub system**

40. As of February 2011, the Investment Management Division had completed the technical evaluation. The due diligence will be scheduled for the second semester of 2011. It is expected to start the implementation of the data hub in February 2012.

**OMEGEO, FXALL, Tradeweb and other confirmation and trading platforms are being integrated to Charles River**

41. The Investment Management Division planned to add OMEGEO, an electronic confirmation and affirmation of equity trades, FXALL, FXConnect and Bloomberg FX: foreign exchange trading platforms, and Tradeweb, market Axess, Bond Vision and Bloomberg FI: fixed income trading platforms to strengthen the Charles River trade order management system. Contracts for the respective products are in

negotiation. The Investment Management Division is planning to have all these platforms integrated by December 2011.

**Charles River System in the disaster recovery site (International Computing Centre Geneva)**

42. Charles River disaster recovery was completed in March 2011. The disaster recovery includes the connectivity to FIX, Bloomberg data licence, Bloomberg data bulk and Bloomberg API. It also provides the connectivity to SWIFT.

**Bloomberg data licence, Bloomberg data bulk and Bloomberg API**

43. The Bloomberg data licence, Bloomberg data bulk and API were installed and integrated with the Charles River System in March 2010.

**SWIFT in the disaster recovery site (International Computing Centre Geneva)**

44. The SWIFT disaster recovery site has been operational since January 2010. The Investment Management Division is currently working on integrating it with the Charles River System disaster recovery infrastructure.

**Upgrade of SWIFT to version 7**

45. SWIFT upgrade to the mandatory version 7 is scheduled to be completed in June 2011.

## C. Audit costs

46. The estimated expenditure of audit costs will result in lower utilization of the appropriations in the amount of $112,100, primarily for general temporary assistance for internal audit.

## D. Board expenses

47. The increased requirement of $77,800 is the result of the higher than anticipated expenses for the Working Group on Plan Design.

## E. Extrabudgetary costs

48. The underexpenditure of $13,900 is the result of the General Service (Other level) post, which is covered by extrabudgetary funds, being vacant for a period of three months.

# III. Budget estimates for the biennium 2012-2013: results-based frameworks and analysis of resource requirements

## A. Introduction

### 1. Overview

49. The United Nations Joint Staff Pension Fund is a fully funded defined benefit pension fund providing retirement and other benefits to nearly 64,000 retirees and beneficiaries. Currently, some 120,000 active participants are accumulating pension rights under the Fund. The assets of the Fund stood at $41.4 billion at the end of 2010. The Pension Fund is self-administered in accordance with Regulations adopted by the General Assembly. The Pension Board is responsible for managing the Fund and reports annually to the General Assembly. The day-to-day operations of the Fund are overseen by the Chief Executive Officer. The Fund has 245 staff. A detailed description of the Fund and its day-to-day operations are included in this budget and the accompanying annexes.

50. Fund investments are decided by the Secretary-General, who has delegated this responsibility to his representative, who in turn manages the Fund's Investment Management Division. The Division is responsible for the investment and accounting of the Fund assets with the objective to ensure an adequate level of investment return in line with the Fund's risk tolerance philosophy and the requirements posed by its liabilities.

51. The Fund has grown significantly during the past 10 years, as new member organizations have joined and the overall number of participants, retirees and other beneficiaries being serviced has continued to increase. During this period, the number of active participants has increased by 63 per cent and the number of periodic benefits in payment has grown by 33 per cent. The Management Charter of the Fund identified five categories of challenges, as follows:

(a) Growing complexity of the Fund's operations;

(b) Growing interdependency of assets and liabilities;

(c) Aging of information systems and growing demand for services;

(d) Quality service and high operational standards;

(e) Social and environmental responsibility.

52. To address these challenges, the Fund carried out comprehensive studies on risk assessment, asset-liability management, the organization of the Fund and its plan design and changes in its pension administration system; it then developed medium-term objectives which are outlined in the Fund's strategic framework, as follows:

(a) Strengthening the Fund's operating model;

(b) Improving the management of risks and internal controls;

(c) Enhancing information systems;

(d) Increasing the quality and efficiency of service provided including communications and outreach efforts;

(e) Promoting social and environmental responsibility.

53. Each area of operation developed specific action plans to meet these objectives, including a medium-term human resources plan, business impact analysis and disaster recovery plan, which have been used to prepare the following budget proposal.

54. In summary, during the biennium 2012-2013, the Pension Fund intends to allocate financial and human resources towards the following key initiatives as outlined in the strategic framework:

(a) Integrated Pension Administration System — new operating model for an integrated pension administration system;

(b) IPSAS — new accounting standards for the Fund's financial statements;

(c) Responsive client services;

(d) Other actions required to improve operational efficiency, risk evaluation and management, e-learning, training and knowledge management.

55. The Fund is expected to achieve its overall objectives on the assumption that adequate human and financial resources are available. This will pose particular challenges in coming years, given the current financial constraints. Recognition must be given, however, to the critical juncture in the evolution of the Fund that is outside its control. The Fund has experienced steady growth since its inception and unprecedented growth during the past 10 years in the population it services. At the same time, the Fund has been expanding its provisions not only to cover a greater number of individuals, but also to address a wider scope of unique circumstances, thus resulting in increasing complexities. The growth in the volume of the related work and the increasing complexities are culminating at the same time with a steady loss in institutional memory owing to a high number of retirements and other separations over recent years. Moreover, and at the same time, improvements in longevity are resulting in an ageing of the Fund's clientele, which in turn often requires more extensive consultations and other special client servicing needs. The significant challenges emanating from these external factors are further compounded by the fact that the Fund, which requires staff with very specific and long-term expertise, must aim to function according to certain organizational policies that pose particular difficulties not normally encountered in outside enterprises. Given its need for unique and long-term expertise, and in the light of its independent status as an inter-agency entity, the Fund is undertaking a review of the policies governing the recruitment, mobility, promotion and retention of its staff. It intends to address these issues in a revised memorandum of understanding.

56. Giving further consideration to the challenges posed by the current economic environment, the Fund secretariat also reviewed its staffing needs and decided to defer its request for a number of staffing positions. While these positions are key to meeting the medium-term goals of its strategic framework, the secretariat believes that deferral of the hiring of staff can be accomplished by limiting changes in the plan design of the Fund as well as the addition of new projects, while continuing its efforts towards efficiencies and productivity improvements. However, these positions cannot be deferred indefinitely without altering the Fund's operational capacity, its responsiveness to its clients and/or the timing of reaching its goals.

57. With this in mind, recognition must also be given to the fact that new peacekeeping missions may be approved outside the regular budget of the United

Nations at times when the Fund must aim to address calls for budgetary restraint. This results in significant challenges, and indeed risks, to the Fund, which must nevertheless provide full and timely services to the elevated numbers of staff employed by such missions.

**Results-based budgeting, methodology and terminology**

58. The current budget submission follows the results-based budgeting format adopted by the Fund in its submission for the biennium 2008-2009. Resources have been requested in line with the Fund's programmes, and all justification and supporting information is contained in the supplementary financial information to the proposed budget.

59. The following factors have been used in the calculation of resources:

(a) Delayed recruitment factors for both New York and Geneva for 2012 and 2013 have been applied to continuing Professional posts (90.4 per cent), Professional new posts (50.0 per cent), continuing General Service posts (96.5 per cent) and new General Service posts (65.0 per cent); these factors have been applied to the version 1 of the New York and Geneva 2012-2013 standard salary tables;

(b) The average annual rate of inflation applied for 2012 and 2013 for New York are 1.90 and 2.50 per cent, respectively, and for Geneva are 1.00 and 1.30 per cent, respectively;

(c) The exchange rate applied for 2012 and 2013 for Geneva is 1.046;

(d) Within the framework of the cost-sharing arrangement between the United Nations and the Fund, the ratios of one third and two thirds, respectively, will continue to be applied to the specific elements of administration, with the exception of the cost for posts in the Information Management Systems Service and the Executive Office. On the basis of the ratio of approved posts for the secretariat (170) to those for the Investment Management Division (58), plus specific project posts (17), 69.4 per cent of the cost of the posts in the Information Management Systems Service and the Executive Office will be subjected to the cost-sharing arrangement.

## 2. Overall resources requested

60. Human and financial resources requested for the Fund as a whole are given below, along with estimated extrabudgetary resources and details of additional post requirements.

Table 6
**Percentage distribution of resources by component: Fund**

| *Component* | *Regular budget* | *Extrabudgetary* |
|---|---|---|
| A. Executive direction and management | 7.0 | |
| B. Programme of work | | |
| 1. Administration | 17.7 | 100.0 |
| 2. Investments | 33.0 | |
| **Subtotal B** | **50.7** | **100.0** |

| *Component* | *Regular budget* | *Extrabudgetary* |
|---|---|---|
| C. Support | | |
| 1. Information technology | 31.8 | |
| 2. Legal Office | 0.7 | |
| 3. Administrative support | 8.3 | |
| **Subtotal C** | **40.8** | |
| D. Audit | 1.4 | |
| E. Pension Board | 0.1 | |
| **Total** | **100.0** | **100.0** |

Table 7

**Resource requirements by component: Fund**

(Thousands of United States dollars)

| *Component* | *2010-2011* | *Resource growth* | | *Total before recosting* | *Recosting* | *Apportionment* | | *2012-2013 estimate* |
|---|---|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | *United Nations* | *Pension Fund* | |
| **1. Regular budget** | | | | | | | | |
| A. Executive direction and management | 16 141.1 | (2 672.3) | (16.6) | 13 468.8 | 61.9 | 1 197.8 | 12 332.9 | 13 530.7 |
| B. Programme of work | | | | | | | | |
| 1. Operations, financial services | 30 470.0 | 3 498.4 | 11.5 | 33 968.4 | 908.7 | 9 527.5 | 25 349.6 | 34 877.1 |
| 2. Investments | 55 678.4 | 7 451.7 | 13.4 | 63 130.1 | 816.5 | | 63 946.6 | 63 946.6 |
| **Subtotal B** | **86 148.4** | **10 950.1** | **12.7** | **97 098.5** | **1 725.2** | **9 527.5** | **89 296.2** | **98 823.7** |
| C. Support | | | | | | | | |
| 1. Information technology | 53 018.1 | 7 878.6 | 14.9 | 60 896.7 | 815.6 | 5 704.7 | 56 007.6 | 61 712.3 |
| 2. Legal Office | | 1 358.4 | | 1 358.4 | (16.2) | 447.4 | 894.8 | 1 342.2 |
| 3. Administrative support | 18 198.4 | (2 348.4) | (12.9) | 15 850.0 | 86.9 | 3 590.6 | 12 346.3 | 15 936.9 |
| **Subtotal C** | **71 216.5** | **6 888.6** | **9.7** | **78 105.1** | **886.3** | **9 742.7** | **69 248.7** | **78 991.4** |
| D. Audit | 2 645.0 | 103.2 | 3.9 | 2 748.2 | (134.4) | 435.4 | 2 178.4 | 2 613.8 |
| E. Pension Board | 167.5 | 32.5 | 19.4 | 200.0 | 4.4 | | 204.4 | 204.4 |
| **Total** | **176 318.5** | **15 302.1** | **8.7** | **191 620.6** | **2 543.4** | **20 903.4** | **173 260.6** | **194 164.0** |
| **2. Extrabudgetary** | **158.2** | **(5.3)** | **(3.4)** | **152.9** | **3.9** | — | **156.8** | **156.8** |

61. As indicated in table 8, the overall increase in resources requested amount to $15,302,100 (before recosting), or 8.7 per cent, attributable to administrative costs ($4,564,600), investment costs ($10,601,800), audit costs ($103,200) and board expenses ($32,500).

62. The increase in resources of $4,564,600 in administrative costs comprises the net effect of the proposed increase in established posts ($739,400) and temporary posts ($800,500), of which $680,100 and $800,500, respectively, are attributable to delayed recruitment factor, and non-post costs of $3,024,700. Increases in non-post costs are attributable primarily to the growth in the need for contractual services ($6,087,900) and higher general operating expenses ($1,446,300), partially offset by reduced requirements for furniture and equipment ($3,989,000), other staff costs ($122,500), consultants ($237,600) and travel ($136,100).

63. The increase in resources of $10,601,800 in investment costs comprises the net effect of the proposed increase in posts ($2,486,900), of which $1,222,700 is attributable to a delayed recruitment factor, and non-post costs of $8,114,900. Increases in non-post costs are caused primarily by growth in the need for contractual services ($9,653,200) and increases for other staff costs ($530,400), offset by a reduction in resources for consultants ($1,151,800) and general operating expenses ($916,900).

64. The increase of resources for audit costs, amounting to $103,200, comprises an increase in the apportioned cost applicable to the Fund for the Board of Auditors ($113,500), and, in relation to Internal Audit, the net effect is a proposed decrease ($10,300). This decrease is primarily the result of minor reductions in communications ($9,800) and supplies and materials ($5,000) and an increase in resource requirements for furniture and equipment ($5,800). In addition, there is a compensating decrease and increase of $80,000 between consultants and contractual services, respectively.

65. The estimated percentage distribution of resources and resources requested by component for the Fund are summarized in tables 6 and 7, respectively.

Table 8

**Financial resource requirements for the biennium 2012-2013**

(Thousands of United States dollars)

| Category | 2008-2009 expenditure | 2010-2011 appropriation | Resource growth | | Total before recosting | Recosting | Apportionment | | 2012-2013 Estimate | 2012 Estimate | 2013 Estimate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Amount | Percentage | | | United Nations | Pension Fund | | | |
| **Administrative costs** | | | | | | | | | | | |
| Posts | 34 524.8 | 38 731.4 | 739.4 | 1.9 | 39 470.8 | 591.4 | 12 440.4 | 27 621.8 | 40 062.2 | 19 883.6 | 20 178.6 |
| Temporary posts | — | 2 870.3 | 800.5 | 27.9 | 3 670.8 | (103.4) | — | 3 567.4 | 3 567.4 | 1 581.3 | 1 986.1 |
| Other staff costs | 3 033.8 | 4 032.8 | (122.5) | (3.0) | 3 910.3 | 94.5 | 803.3 | 3 201.5 | 4 004.8 | 2 005.4 | 1 999.4 |
| Consultants | 106.4 | 537.6 | (237.6) | (44.2) | 300.0 | 6.7 | — | 306.7 | 306.7 | 152.9 | 153.8 |
| Travel | 997.7 | 1 360.6 | (136.1) | (10.0) | 1 224.5 | 27.0 | — | 1 251.5 | 1 251.5 | 623.9 | 627.6 |
| Contractual services | 16 690.8 | 25 760.0 | 6 087.9 | 23.6 | 31 847.9 | 700.7 | 3 465.9 | 29 082.7 | 32 548.6 | 16 250.2 | 16 298.4 |
| Hospitality | 2.6 | 4.0 | — | — | 4.0 | 0.1 | — | 4.1 | 4.1 | 2.0 | 2.1 |
| General operating expenses | 11 641.1 | 12 801.7 | 1 446.3 | 11.3 | 14 248.0 | 169.0 | 3 175.9 | 11 241.1 | 14 417.0 | 7 031.8 | 7 385.2 |
| Supplies and materials | 263.3 | 210.1 | (24.3) | (11.6) | 185.8 | 4.1 | 54.5 | 135.4 | 189.9 | 90.1 | 99.8 |
| Furniture and equipment | 3 815.3 | 6 000 | (3 989.0) | (66.5) | 2 011.0 | 44.4 | 528.0 | 1 527.4 | 2 055.4 | 1 024.6 | 1 030.8 |
| **Total** | **71 075.8** | **92 308.5** | **4 564.6** | **4.9** | **96 873.1** | **1 534.5** | **20 468.0** | **77 939.6** | **98 407.6** | **48 645.8** | **49 761.8** |
| **Investment costs** | | | | | | | | | | | |
| Posts | 10 617.0 | 15 344.0 | 2 486.9 | 16.2 | 17 830.9 | (424.9) | — | 17 406.0 | 17 406.0 | 8 644.2 | 8 761.8 |
| Other staff costs | 534.0 | 2 361.8 | 530.4 | 22.5 | 2 892.2 | 61.0 | — | 2 953.2 | 2 953.2 | 1 500.3 | 1 452.9 |
| Consultants | 299.5 | 2 328.8 | (1 151.8) | (49.5) | 1 177.0 | 24.7 | — | 1 201.7 | 1 201.7 | 822.4 | 379.3 |
| Travel | 1 018.0 | 2 000.0 | — | — | 2 000.0 | 44.0 | — | 2 044.0 | 2 044.0 | 1 019.0 | 1 025.0 |
| Contractual services | 27 491.4 | 52 878.9 | 9 653.2 | 18.3 | 62 532.1 | 1 387.1 | — | 63 919.2 | 63 919.2 | 29 924.0 | 33 995.2 |
| Hospitality | 16.4 | 22.0 | — | — | 22.0 | 0.5 | — | 22.5 | 22.5 | 11.2 | 11.3 |
| General operating expenses | 5 157.5 | 5 402.0 | (916.9) | (17.0) | 4 485.1 | 27.5 | — | 4 512.6 | 4 512.6 | 2 254.1 | 2 258.5 |
| Supplies and materials | 91.0 | 160.0 | — | — | 160.0 | 3.5 | — | 163.5 | 163.5 | 81.5 | 82.0 |
| Furniture and equipment | 246.6 | 700.0 | — | — | 700.0 | 15.5 | — | 751.6 | 715.5 | 356.7 | 358.8 |
| **Total** | **45 471.4** | **81 197.5** | **10 601.8** | **13.1** | **91 799.3** | **1 138.9** | **—** | **92 938.2** | **92 938.2** | **44 613.4** | **48 324.8** |

| Category | 2008-2009 expenditure | 2010-2011 appropriation | Resource growth | | Total before recosting | Recosting | Apportionment | | 2012-2013 Estimate | 2012 Estimate | 2013 Estimate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Amount | Percentage | | | United Nations | Pension Fund | | | |
| **Audit costs** | | | | | | | | | | | |
| External audit | 682.1 | 661.2 | 113.5 | 17.2 | 774.7 | 17.1 | 132.0 | 659.8 | 791.8 | 394.7 | 397.1 |
| Internal audit | 1 612.6 | 1 983.8 | (10.3) | (0.5) | 1 973.5 | (151.5) | 303.4 | 1 518.6 | 1 822.0 | 906.2 | 915.8 |
| **Total** | **2 294.7** | **2 645.0** | **103.2** | **3.9** | **2 748.2** | **(134.4)** | **435.4** | **2 178.4** | **2 613.8** | **1 300.9** | **1 312.9** |
| **Board expenses** | **127.4** | **167.5** | **32.5** | **19.4** | **200.0** | **4.4** | — | **204.4** | **204.4** | **101.9** | **102.5** |
| **Total resources required** | **118 969.3** | **176 318.5** | **15 302.1** | **8.7** | **191 620.6** | **2 543.4** | **20 903.4** | **173 260.6** | **194 164.0** | **94 662.0** | **99 502.0** |
| **Extrabudgetary costs (after-service health insurance system)** | | | | | | | | | | | |
| **Operational activities** | **132.3** | **158.2** | **(5.3)** | **(3.4)** | **152.9** | **3.9** | — | **156.8** | **156.8** | **77.3** | **79.5** |

Table 9
**Human resources requirements**

| Category | Established posts | | Temporary posts | | Extrabudgetary posts | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2010-2011 | 2012-2013 | 2010-2011 | 2012-2013 | 2010-2011 | 2012-2013 | 2010-2011 | 2012-2013 |
| ***Administrative*** | | | | | | | | |
| **Professional and above** | | | | | | | | |
| ASG | 1 | 1 | | | | | 1 | 1 |
| D-2 | 1 | 1 | | | | | 1 | 1 |
| D-1 | 4 | 4 | — | | | | 4 | 4 |
| P-5 | 9 | 9 | 1 | 1 | | | 10 | 10 |
| P-4 | 19 | 20 | 8 | 7 | | | 27 | 27 |
| P-3 | 25 | 24 | 4 | 4 | | | 29 | 28 |
| P-2/1 | 1 | 1 | | | | | 1 | 1 |
| **Subtotal** | **60** | **60** | **13** | **12** | — | — | **73** | **72** |
| **General Service** | | | | | | | | |
| Principal level | 10 | 10 | | | | | 10 | 10 |
| Other level | 99 | 99 | 5 | 5 | 1 | 1 | 105 | 105 |
| **Subtotal** | **109** | **109** | **5** | **5** | **1** | **1** | **115** | **115** |
| **Total administrative** | **169** | **169** | **18** | **17** | **1** | **1** | **188** | **187** |
| ***Investment*** | | | | | | | | |
| **Professional and above** | | | | | | | | |
| D-2 | 1 | 1 | — | — | | | 1 | 1 |
| D-1 | 2 | 2 | — | — | | | 2 | 2 |
| P-5 | 10 | 10 | — | — | | | 10 | 10 |
| P-4 | 13 | 18 | | | | | 13 | 18 |
| P-3 | 7 | 9 | | | | | 7 | 9 |
| P-2 | | | | | | | | |
| **Subtotal** | **33** | **40** | — | — | — | — | **33** | **40** |
| **General Service** | | | | | | | | |
| Principal level | 10 | 10 | | | | | 10 | 10 |
| Other level | 15 | 15 | | | | | 15 | 15 |
| **Subtotal** | **25** | **25** | | | — | — | **25** | **25** |
| **Total investment** | **58** | **65** | | | — | — | **58** | **65** |
| **Total Pension Fund** | **227** | **234** | **18**[c] | **17**[b,c] | **1**[a] | **1**[a] | **246** | **252** |

[a] One extrabudgetary General Service (Other level) post funded by member organizations.
[b] Includes 17 Integrated Pension Administration System temporary posts.
[c] Of the 18 temporary posts authorized for the 2010-2011 biennium, one post at the P-4 level was authorized for 12 months only. This post was abolished in 2011.

66. As indicated in table 9, this submission provides for the establishment of seven additional posts and the reclassification of one post, as follows:

(a) Provision is made for the secretariat for the reclassification of one post (from the P-3 to the P-4 level). Provision is also made for the continuation of one extrabudgetary post (1 General Service (Other level)) funded by member organizations;

(b) Provision is made for the Investment Management Division for seven additional established posts (5 P-4, 2 P-3).

67. The requested additional posts are summarized in table 10.

Table 10
**Summary of post requirements**

| *Section* | *Action* | *Post* | *Number of posts* | *Category* |
|---|---|---|---|---|
| **Administration** | | | | |
| **Programme support** | | | | |
| Executive Office | Reclassification | Finance and Budget Officer | 1 | P-3 to P-4 |
| **Investments** | | | | |
| **Programme of work** | | | | |
| Investments Section | New post | Investment Officer — Alternative Investments | 1 | P-4 |
| | New post | Investment Officer — Global Emerging Markets | 1 | P-4 |
| | New post | Investment Officer — Trade Execution Officer | 1 | P-4 |
| | New post | Investment Officer — North American Equities | 1 | P-3 |
| Risk and Compliance Section | New post | Due Diligence and Quantitative Strategic Risk Manager | 1 | P-4 |
| Operations Section | New post | Finance Officer, Reconciliations | 1 | P-3 |
| **Programme support** | | | | |
| Information Systems Section | New post | Data Management Officer | 1 | P-4 |

## B. Administrative costs

### 1. Overview

68. The secretariat is responsible for managing the United Nations Joint Staff Pension Fund under the authority of the Pension Board. It aims to provide services to participants, as well as pension revenues and related benefits to retirees and beneficiaries in the best conditions of security, performance, responsibility and accountability and in full compliance with the highest standards of efficiency, competence and integrity. In order to deliver such services, the Fund must deal with an increasingly complex set of regulations, linked to past decisions taken either on the grounds of economy measures or in response to strong social demand for new categories of beneficiaries. It must also continue to adapt its processes and procedures to an ever changing banking and regulatory environment.

69. The overall level of resources for administrative costs amounts to $96,873,100 before recosting, reflecting a net increase of $4,564,600, or 4.9 per cent, from the revised appropriations for the biennium 2010-2011. The net increase, as shown in table 12, can be summarized as follows:

(a) Executive direction and management: the decrease of $1,104,400 relates to post requirements ($810,200), owing primarily to the redeployment of three posts (2 P-5, 1 General Service (Other level)) to the Legal Office. The decrease in non-post costs is attributed to other staff costs ($50,100), consultants ($337,600) and travel ($114,500), with increases in contractual services ($112,000) and general operating expenses ($96,000).

(b) Programme of work: the increase of $3,498,400 is the result of post requirements ($751,500), of which $147,400 is attributable to the net effect of the delayed recruitment factor and the redeployment of one post at the P-4 level to the Legal Office and $604,100 for the delayed recruitment factor for the 12 Integrated Pension Administration System temporary posts; and additional non-post resources of $2,746,900 in the form of an increase in general operating expenses ($2,846,300) and consultants ($100,000), and decreases in other staff costs ($199,400).

(c) Programme support: the increase of $2,170,600 is attributable to increases in Information Management Systems Service resources ($2,084,100), the redeployment of the Legal Office from executive direction and management ($1,358,400) and a decrease for the Executive Office ($1,271,900). For the Information Management Systems Service, the increase in resources for temporary posts ($196,400) is the result of the delayed recruitment factor. With regard to non-post resources ($1,903,200), this is primarily the result of an increase in contractual services ($5,975,600), partially offset by decreases in requirements for furniture and equipment ($3,976,400), general operating expenses ($177,400) and travel of staff ($21,600). For the Legal Office, the increase in resources for posts is the result of the redeployment of three posts (2 P-5 and 1 General Service (Other level)) from the Office of the Chief Executive Officer and the redeployment, for supervisory purposes only, of one post at the P-4 level from the Geneva office. With regard to the Executive Office, the decrease in resources ($1,318,600) is attributable to non-post requirements for general operating expenses, specifically for the rental and maintenance of premises.

70. The estimated distribution of resources is shown in table 11 and resource requirements by component in table 12.

Table 11
**Percentage distribution of resources by component: administrative costs**

| *Component* | *Regular budget* | *Extrabudgetary* |
|---|---|---|
| A. Executive direction and management | 6.6 | |
| B. Programme of work (operations, financial services) | 35.1 | 100.0 |
| C. Programme support | | |
| 1. Information Management Systems Service | 44.7 | |
| 2. Legal Office | 1.4 | |
| 3. Executive Office | 12.2 | |
| **Subtotal C** | **58.3** | |
| **Total** | **100.0** | **100.0** |

Table 12

**Resource requirements by component: administrative costs**

(Thousands of United States dollars)

| Component | 2010/2011 appropriation | Resource growth | | Total before recosting | Recosting | Apportionment | | 2012-2013 estimate |
|---|---|---|---|---|---|---|---|---|
| | | Amount | Percentage | | | United Nations | Pension Fund | |
| **1. Regular budget** | | | | | | | | |
| A. Executive direction and management | 7 486.9 | (1 104.4) | (14.8) | 6 382.5 | 9.6 | 1 197.8 | 5 194.3 | 6 392.1 |
| B. Programme of work (operations, financial services) | 30 470.0 | 3 498.4 | 11.5 | 33 968.4 | 908.7 | 9 527.5 | 25 349.6 | 34 877.1 |
| C. Support | | | | | | | | |
| 1. Information Management Systems Service | 41 240.8 | 2 084.1 | 5.1 | 43 324.9 | 562.4 | 5 704.7 | 38 182.6 | 43 887.3 |
| 2. Legal Office | | 1 358.4 | | 1 358.4 | (16.2) | 447.4 | 894.8 | 1 342.2 |
| 3. Executive Office | 13 110.8 | (1 271.9) | (9.7) | 11 838.9 | 70.0 | 3 590.6 | 8 318.3 | 11 908.9 |
| **Subtotal C** | **54 351.9** | **2 170.6** | **4.0** | **56 522.2** | **616.2** | **9 742.7** | **47 395.7** | **57 138.4** |
| **Total** | **92 308.5** | **4 564.6** | **4.9** | **96 873.1** | **1 534.5** | **20 468.0** | **77 939.6** | **98 407.6** |
| **2. Extrabudgetary** | **158.2** | **(5.3)** | **(3.4)** | **152.9** | **3.9** | **—** | **156.8** | **156.8** |

## 2. Executive direction and management

***Resource requirements (before recosting): $6,382,500***

71. The Chief Executive Officer is responsible for managing the Fund, under the authority of the Pension Board, to provide related services to the member organizations and to the participants, retirees and beneficiaries. In providing such services, the Chief Executive Officer must ensure that a framework is in place so that the Fund can operate in the best conditions of security, performance, responsibility and accountability and in full compliance with the highest standards of efficiency, competence and integrity. As part of its responsibility within such a framework, the Fund must deal with an increasingly complex and continuously evolving plan design, as set out in its Regulations and Rules and in its very unique and complex pension adjustment system. The Chief Executive Officer must ensure that the Fund is in position to continuously and accurately weigh its actuarial costs to assess and manage risk, to adapt its plan design and to adjust its processes and procedures to accommodate an ever changing workforce that is clearly affected by long-term societal changes, including increased longevity, while at the same time carrying out its responsibilities in an evolving banking, accounting and regulatory environment.

72. The Fund's member organizations, the number of its participants, retirees and beneficiaries, the financial environment in which it operates and the value of the assets and liabilities under its management have all grown dramatically over the Fund's 60 year history. The overall number of individuals serviced by the Fund, which amounts to 185,000, is expected to increase steadily in the medium-term and

beyond. The international and multiorganizational nature, and the multitiered benefit structure of the Fund will all continue to present new and increasingly intricate and demanding challenges. There has been, and will continue to be, a steady and dramatic increase in the responsibilities and demands being placed on the Fund. In response to the Board's request for a more strategic approach to the Fund's human resource requirements and with a view towards identifying its needs in the medium term, the Fund carried out a high-level review that took into account the circumstances and pressing challenges facing the Fund, which was presented to the Pension Board at its 2010 session.

Table 13
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To ensure the full implementation of the Fund's programme of work in compliance with Regulations and Rules of the Fund and with decisions and guidelines issued by the Pension Board and General Assembly

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Effective management of the Fund's programme of work | (1.1) All detailed action plans, projects and studies successfully monitored and implemented |
| | *Performance measures* |
| | 2008-2009: 100 per cent |
| | Estimate 2010-2011: 100 per cent |
| | Target 2012-2013: 100 per cent |
| (2) Effective backstopping/servicing/management of the Pension Board and Committees | (2.1) No complaints received from the Pension Board, Standing Committee, Committee of Actuaries, Audit Committee and Working Groups about support provided |
| | *Performance measures* (number of complaints) |
| | 2008-2009: no complaints about support provided |
| | Estimate 2010-2011: no complaints about support provided |
| | Target 2012-2013: no complaints |
| (3) Effective management of Fund-wide governance mechanisms for human resources, risk management, business continuity/recovery, information technology, new accounting standards and asset-liability management | (3.1) Successful monitoring and implementation of activities decided by the Working Groups and Steering Committees |
| | *Performance measures* |
| | 2008-2009: not applicable |
| | Estimate 2010-2011:100 per cent of performance indicators |
| | 2012-2013: 100 per cent of performance indicators |

| | |
|---|---|
| (4) Effective strategic planning for the Fund | (4.1) Strategic planning exercise conducted every two years |
| | *Performance measures* |
| | 2008-2009: 100 per cent |
| | Estimate 2010-2011: 100 per cent |
| | Target 2012-2013: 100 per cent |

**External factors**

73. Executive Direction and Management is expected to achieve its objective and expected accomplishments on the assumption that adequate human and financial resources are provided.

**Other outputs**

74. During the biennium, the following outputs will be delivered:

(a) Servicing of intergovernmental and expert bodies: two Pension Board sessions; three meetings of the Committee of Actuaries, and approximately four Working Groups; one joint session of the Committee of Actuaries and the Investments Committee; six meetings of the Audit Committee; four meetings of the United Nations Staff Pension Committee;

(b) Drafting of documents: approximately 100 papers for submission to the Pension Board, Committee of Actuaries and Working Groups and 15 notes to the Audit Committee in addition to the technical and administrative servicing of its sessions;

(c) Other substantive activities:

(i) Efficient succession planning for retiring staff; advance planning to avoid vacancies arising from the retirement of staff and to encumber other vacant posts, owing to staff turnover, within five months of the vacancy being announced;

(ii) Efficient administration and control of the following:

- Integrated Pension Administration System project
- Business continuity and disaster recovery planning
- Enterprise-wide risk management
- Human resources policy and human resources medium-term plan
- Information technology consolidation
- Asset liability management study
- Business impact analysis
- Data warehouse
- Procurement Advisory Committee.

Table 14
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 3 641.0 | 2 830.8 | 11 | 8 |
| Non-post | 3 845.9 | 3 551.7 | | |
| **Total** | **7 486.9** | **6 382.5** | **11** | **8** |

75. The amount of $6,382,500 will provide for the continuation of eight existing posts (1 ASG, 1 D-2, 1 P-5, 2 P-4, 1 P-3, 1 General Service (Principal level) and 1 General Service (Other level)), and non-post resources relate to the Administration as a whole. The reduction of $810,200 in post resources is the result of the redeployment of the three authorized posts (2 P-5 and 1 General Service (Other level)) from the Legal Office to programme support. Non-post resources have decreased owing primarily to reductions in other staff costs ($50,100), travel ($114,500) and consultants ($337,600) and increases in contractual services, attributable to the consulting actuary ($112,000), and general operating expenses for the Fund's cost-sharing of the cases in the United Nations Appeals Tribunal ($96,000).

### 3. Programme of work

***Resource requirements (before recosting): $33,968,400***

76. The programme of work, which includes operations and the financial services of both the New York and Geneva offices, is responsible for the core functions of the Fund, including, but not limited to, the determination of eligibility to participate and the affiliation of new participants into the Fund, along with the recordkeeping of historical personal and financial data, collection and recording of contributions into the Fund, calculation and set up for payment of all pension entitlements, the payment of subsequent pension benefits and all related accounting activities. This programme is also responsible for the client servicing functions in respect to the Fund's 185,000 active participants, retirees and other beneficiaries.

77. It should be recalled that following a recommendation made on the basis of the Whole Office Review that was carried out in 2008, the Chief Executive Officer decided to segregate Operations and the Fund's Financial Services. It was decided that although there was an important link between the calculation and processing of entitlements as carried out by Operations, and the payment of and accounting for the ensuing benefits as carried out by the Financial Services, there should nevertheless be a distinct and separate segregation of the functions. Operations focuses on the integrity of the calculation, which, once established, remains valid for the lifetime of the retiree and any eligible survivor. Financial Services focuses on the integrity of the payment. By separating these functions and establishing Financial Services as separate and distinct from Operations, clear responsibility was established and greater accountability was institutionalized between these two core functions of the Fund that make up the programme of work.

**Operations**

78. Operations comprises the Pension Entitlements Sections and the Client Services, Records Management and Distribution work units in both the New York and Geneva offices. The Chief of Operations is responsible for the management and direction of the service in accordance with the goals set out in the Fund's Management Charter and for ensuring adherence to the Fund's Regulations, Rules and Pension Adjustment System, while duly operating within specific quality management, internal control and communications policies. Operations expects to process in excess of 55,000 new participants, separations and transfers in and out of the Fund during the biennium 2012-2013.[1] It also expects to process some 6,000 pension benefits after initial separation from service, which are among the most complex, and thus time-consuming, benefits to process (i.e., death after service, survivor benefits that sometimes involve multiple spouses residing in various locations, residual settlements, deferred benefits into payment, two-track cases that sometimes involve reversion to the United States dollar track, benefits payable to surviving divorced spouses, surviving spouse annuities, special measure cases, etc.). In addition to some 225,000 benefit estimates provided through the Fund's website (i.e., during 2010), Operations also expects to provide during the next biennium some 5,500 individual benefit estimates that often involve personal consultations. During the biennium 2012-2013, the service also expects to dispatch, track and record upon receipt over 100,000 certificates of entitlement and to scan over 1,200,000 documents into the Fund's content management system.

Table 15
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To ensure that all eligible participants, retirees and other beneficiaries are serviced in accordance with the Regulations, Rules and Pension Adjustment System of the Fund, while fully adhering to the communications, quality management and internal control policies as outlined in the Fund's management charter

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Effective processing of Pension Fund benefit entitlements | (1.1) Increased percentage of withdrawal settlements, retirement benefits and other benefits processed within 15 business days |
| | *Performance measures for processing full withdrawal settlements, periodic retirement benefits and lump-sum commutation benefits* |
| | (Benchmark: 15 business days) |
| | 2004-2005: 72 per cent of cases completed within 15 days |
| | 2006-2007: 79 per cent of cases completed within 15 days |

[1] It is estimated that Operations will process some 55,400 affiliations of new participants, transfers in and out and separations during the biennium 2012-2013; this relates to specific and measurable work tasks carried out by Operations, representing an 80 per cent increase over the biennium 1998-1999.

| | |
|---|---|
| | 2008-2009: 80 per cent of cases completed within 15 days<br><br>Estimate 2010-2011: 77 per cent of cases completed within 15 days<br><br>Target 2012-2013: 80 per cent of cases completed within 15 days |
| (2) Enhanced quality of client-oriented services to the Pension Fund clientele | (2.1) Increased percentage of incoming correspondence through mail and e-mail responded to within 15 business days<br><br>*Performance measures*<br><br>(Benchmark: 15 business days)<br><br>2004-2005: 31 per cent of queries responded to within 15 business days<br><br>2006-2007: 55 per cent of queries responded to within 15 business days<br><br>2008-2009: 75 per cent of queries responded to within 15 business days<br><br>Estimate 2010-2011: 82 per cent of queries responded to within 15 business days<br><br>Target 2012-2013: 82 per cent of queries responded to within 15 business days |
| (3) Improved communication | (3.1) Increased number of briefings and seminars for participants, beneficiaries, staff pension committees and counterparts among finance and human resources staff of participating organizations<br><br>*Performance measures*<br><br>2008-2009: not applicable<br><br>Estimate 2010-2011: 65<br><br>Target 2012-2013: 75 |

**External factors**

79. Operations is expected to achieve its objectives on the assumption that adequate human and financial resources are available. Recognition must therefore be given to the critical juncture in the evolution of the Fund that is outside its control. The Fund is experiencing rapid growth in the population it services. At the same time, improvements in longevity are resulting in the ageing of the Fund's clientele, which in turn often requires more extensive consultations and other special client servicing needs.

**Outputs**

80. During the biennium 2012-2013, the following outputs will be delivered:

(a) Process during the biennium an estimated 18,000 withdrawal settlements and retirement benefits;[2]

(b) Process an estimated 6,000 other benefits after initial retirement benefit (i.e., survivor, child, two-track benefits, etc.);

(c) Determine eligibility and affiliation into the Fund of some 30,000 new participants;

(d) Dispatch, track and record upon receipt some 100,000 certificates of entitlement;

(e) Respond to an estimated 15,000 inquiries by mail and e-mail;

(f) Receive and provide services to an estimated 11,000 walk-in clients;

(g) Pre-implementation tasks, such as data cleansing and quality management, documentation of procedures, algorithms and subsequent transition to the Integrated Pension Administration System platform;

(h) Efficient recording, monitoring and enhancement of the controls of its client interfaces;

(i) Review, assessment, development and implementation of a client relationship management system;

(j) Review and development of enhanced training materials for workshops and seminars that are to be provided to Fund staff (in both the New York and Geneva offices), participants, retirees and other beneficiaries, as well as to the Staff Pension Committee secretariats and other human resources staff of member organizations;

(k) Development and implementation of a secure signature system to add graphical signatures for comparison purposes to the electronic folders of each individual being serviced by the Fund;

(l) Enhancement of the controls and a redesign of the certificate of entitlement form, with further efforts to streamline the overall certification process;

(m) Enhancement and continued development of performance data for both internal requirements and the various oversight bodies;

(n) Enhancement of outreach capabilities through seminars and training to be provided to participants, retirees and other beneficiaries, Staff Pension Committee secretariats, various subcommittees (including both advisory and working groups) and members of the Board.

**Financial services**

81. The Financial Services Section provides comprehensive services through its Payments, Accounts and Cashier/Cash Management Units, and is accountable for all financial, accounting and disbursement operations of the Fund. The Fund's annual

[2] The total annuity value of the additional periodic benefits to be paid out over some 30 years and the cash settlements calculated, verified and set up in Operations for payment each year is estimated to represent nearly $1 billion.

financial transactions amount to some $3.8 billion (considering both benefit payments and contribution collections). Every month, the Fund processes approximately 62,000 (as of the 2009 audited financial statements of the Fund) periodic benefit payments in 15 currencies and effects payments to retirees and other beneficiaries residing in over 190 countries. The Section is also responsible for producing accurate and timely financial statements for the Fund as a whole, including the Investment Management Division, and for liaising and coordinating with both internal and external auditors with regard to the financial aspects of the Fund.

Table 16
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To ensure the timely, accurate and secure payment of benefits and full accountability for all financial, accounting, and disbursement operations of the Fund, including the issuance of accurate and timely financial statements and liaison with both internal and external auditors regarding financial matters

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Effective management of benefit payments | (1.1) Timely issuance of the Pension Fund payroll<br>*Performance measures*<br>2008-2009: 1,200,000<br>Estimate 2010-2011: 1,300,000<br>Target 2012-2013: 1,400,000<br>(1.2) Timely, accurate and secure payment of Pension Fund periodic benefit payments<br>*Performance measures*<br>2008-2009: 100 per cent<br>Estimate 2010-2011: 100 per cent<br>Target 2012-2013: 100 per cent<br>(1.3) Timely, accurate and secure payment of Pension Fund non-periodic benefit payments (15 days of receipt of appropriate documents for payments related to benefit reinstatements and 30 days for all other payments)<br>*Performance measures*<br>(Payments related to benefit reinstatements made within 15 days of receipt of the appropriate documents; all other payments within 30 days of receipt)<br>2008-2009: 100 per cent<br>Estimate 2010-2011: 100 per cent<br>Target 2012-2013: 100 per cent |

| | |
|---|---|
| (2) Enhanced quality and consistency of contribution recording, including timely reconciliation of participant reconciliation exception cases that arise from the year-end process | (2.1) Number of resolved participant reconciliation exceptions<br>*Performance measures*<br>2008-2009: 9,000<br>Estimate 2010-2011: 10,000<br>Target 2012-2013: 11,000<br>(2.2) All participant records verified within six weeks of receipt of year-end schedule<br>*Performance measures*<br>(Verify records for all participants within six weeks of receipt of year-end schedule)<br>2008-2009: 100 per cent<br>Estimate 2010-2011: 100 per cent<br>Target 2012-2013: 100 per cent |
| (3) Provision of quality and consistent financial statements and establishment of policies and procedures to implement appropriate IPSAS/International Accounting Standards | (3.1) Timely provision of financial statements (draft statement issued by 15 April of the following year)<br>*Performance measures*<br>(draft statement issued by 15 April of the following year)<br>2008-2009: by the due date<br>Estimate 2010-2011: by the due date<br>Target 2012-2013: by the due date<br>(3.2) Increased percentage of IPSAS/ International Accounting Standards and disclosure requirements adopted<br>*Performance measures*<br>2008-2009: not applicable<br>Estimate 2010-2011: begin adoption of certain IPSAS/ International Accounting Standards and disclosure requirements<br>Target 2012-2013: Full adoption of IPSAS/ International Accounting standards for 2012 financials. Annual audits anticipated. |

**External factors**

82. This subprogramme is expected to achieve its objectives unless affected by events such as: (a) political conflicts and natural disasters around the world causing interruption of banking services available to pensioners; (b) unanticipated system

implementation delays causing IPSAS financial statement information to be delayed; and (c) growth of the Fund, leading to inadequate staffing resources to properly serve the pensioners.

**Outputs**

83. During the biennium 2012-2013, the following outputs will be delivered:

(a) Production of three sets of financial statements and associated documents; preparation of updated financial statements in the light of the change from United Nations system accounting standards to full adoption of IPSAS and International Accounting Standard 26 for the 2012 financial statements;

(b) Reduction in the number of outstanding audit observations between reports (allowing for additional observations arising in the interim) on the areas under supervision and technical accounting issues;

(c) Full reconciliation for all remitting entities to be produced in the specified timeframe of six months following the submission of the year-end schedules;

(d) Full reconciliation of the data held in the master separation file records to payroll history records for the annual and biennial close;

(e) Conduct presentations and training on contribution related participant reconciliation exceptions issues in New York and Geneva and with large reporting entities;

(f) Bank reconciliations for all accounts to be completed on a monthly basis in a timely manner;

(g) Comply, on a timely basis, to any updated banking requirements regarding payments to pensioners;

(h) With regard to payments to pensioners:

(i) Ensure timely receipt of pensioner payments;

(ii) Reduce banking fees to the Fund;

(iii) Reduce or eliminate bank charges to pensioners wherever possible.

Table 17
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2012* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 27 874.7 | 28 626.2 | 137 | 136 |
| Non-post | 2 595.3 | 5 342.2 | | |
| **Subtotal** | **30 470.0** | **33 968.4** | **137** | **136** |
| Extrabudgetary | 158.2 | 152.9 | 1 | 1 |
| **Total** | **30 628.2** | **34 121.3** | **138** | **137** |

84. The amount of $34,121,300 will provide for the continuation of 137 posts; 124 established posts (3 D-1, 3 P-5, 9 P-4, 13 P-3, 1 P-2, 8 General Service (Principal

level) and 87 General Service (Other level)); one General Service (Other level) post funded from extrabudgetary resources; 12 temporary posts (6 P-4, 2 P-3, 4 General Service (Other level)) and the redeployment of one Legal Officer post at the P-4 level in the Geneva office under the control of the Legal Office, and for non-post requirements. The increase in non-post resources relates to higher requirements for consultants ($100,000) and general operating expenses ($2,846,300), partially offset by a decrease in general temporary assistance ($199,400). The large increase in general operating expenses is owing entirely to bank charges that were deducted from the proposed budget for 2010-2011 by the Pension Board.

85. At its 186th meeting, the Standing Committee reviewed a note on the after-service health insurance premium deduction programme undertaken by the Fund. As a result, extrabudgetary resources referred to above were approved and funded by participating member organizations at no cost to the Fund.

**4. Programme support**

**Information Management Systems Service**

***Resource requirements (before recosting): $43,324,900***

86. Under the guidance of the Pension Fund governance model for information and communications technology, the Information Management Systems Service is responsible for the Fund's information system services, maintaining information and communications technologies, coordinating the implementation of strategic decisions taken by the Information Technology Executive Committee, establishing training plans for information and communications technology staff and providing the necessary tools for supporting knowledge exchange and cooperative work.

87. The Service is responsible for the provision of overall computing office automation; software/systems design, development and implementation; hardware support; telecommunications; shared infrastructure services, including the Investment Management Division; supervision and technical leadership of information technology operations in the Geneva office of the Fund; and management of resources, infrastructure and conference support.

Table 18
**Objectives for the biennium, expected accomplishments and indicators of achievement**

| **Objective of the Organization**: To facilitate the achievement of the operational and strategic goals of the Fund through the efficient and effective use of information and communications technology | |
|---|---|
| **Expected accomplishments** | **Indicators of achievement** |
| (1) Progress in modernizing the Fund's information systems platform | (1.1) The enterprise information technology architecture that supports the redesigned business processes |
| | Performance measures |
| | 2008-2009: not applicable |
| | Target 2010-2011: project deliverables completed according to milestone dates |
| | Target 2012-2013: project deliverables completed according to milestone dates |

| | |
|---|---|
| (2) Increased efficiency and effectiveness in service provided to clients | (2.1) Percentage of time when information technology services are available to clients |
| | *Performance measures* |
| | 2008-2009: 99 per cent |
| | Estimate 2010-2011: 99 per cent |
| | Target 2012-2013: 99 per cent |
| (3) Improved information technology services | (3.1) Percentage of information technology systems at satisfactory level (or above) of support |
| | *Performance measures* |
| | 2008-2009: 95 per cent |
| | Estimate 2010-2011: 95 per cent |
| | Target 2012-2013: 95 per cent |
| (4) Increased use of electronic repositories for sharing information | (4.1) Percentage of Information Management Systems Service documentation available within the knowledge management system |
| | *Performance measures* |
| | 2008-2009: 80 per cent |
| | Estimate 2010-2011: 95 per cent |
| | Target 2012-2013: 95 per cent |
| (5) Increased information security | (5.1) Percentage increase in compliance, for the defined deliverables as per the International Organization for Standardization 17799 security standards, measured annually |
| | *Performance measures* |
| | 2008-2009: 78 per cent |
| | Estimate 2010-2011: 90 per cent |
| | Target 2012-2013: 90 per cent |
| (6) Improved sharing of electronic information with participants, beneficiaries and other clients | (6.1) Percentage of participants sharing human resources information electronically |
| | *Performance measures* |
| | 2008-2009: 75 per cent |
| | Estimate 2010-2011: 80 per cent |
| | Target 2012-2013: 80 per cent |

| | |
|---|---|
| | (6.2) Percentage of participants sharing financial information electronically |
| | *Performance measures* |
| | 2008-2009: 10 per cent |
| | Estimate 2010-2011: 20 per cent |
| | Target 2012-2013: 30 per cent |

**External factors**

88. This subprogramme is expected to achieve its objectives and accomplishments on the assumption that: (a) the evolution of technology is in line with expectations; (b) resources both internal and outsourced are made available to meet critical targets; and (c) stakeholders fulfil their responsibilities and obligations and extend their full cooperation in attaining the objectives of the information and communications technology strategy, most importantly during the process review and redesign stages of activity.

**Outputs**

89. During the biennium 2012-2013, the following outputs will be delivered:

*Enterprise operations services*

(a) Translating the organization's functional and operational requirements into the effective and efficient acquisition and implementation of information and communications technology architecture for the proposed Integrated Pension Administration System initiative with a focus on improving the management of information and the efficiency of the Fund's operations;

(b) *Policies*. Ensuring that all information and communications technology services delivered by the Information Management Systems Service meet the expectations of the Fund's Information Technology Executive Committee and relevant industry standards to the extent possible (e.g., Information Technology Infrastructure Library); enforcing network security in line with International Organization for Standardization security standard ISO-20002 for the Fund's information and communications technology infrastructure;

(c) *Communications*. Provision of backbone communications services, including Internet, private leased lines, telecommunication devices and equipment, and the required communication lines that are used for connecting the various offices of the Fund, including the Fund secretariat, the Geneva office, the Investment Management Division and the newly established information technology infrastructure hosting arrangement with the International Computing Centre; upgrading the New York backbone network infrastructure with robust capabilities to support users with diverse requirements for high-speed mission-critical data, voice and video traffic to the desktop;

(d) *Information and communications technology infrastructure services*. Multishift operations, management and maintenance of Information and Communications Technology Infrastructure Services, such as server management,

middleware management, and data backup in New York, New Jersey, and Geneva to support the operations of the Fund. Monitoring applications, equipment, network loads and traffic from the command centre to prevent failure of services. They will also ensure that software versions are at current levels where practical and, if necessary, perform systems upgrades using software development life-cycle methodologies;

(e) *Infrastructure architecture services*. Developing and implementing information and communications technology infrastructure based on best technology standards and practices that will emphasize integration, interoperability, modularity and scalability with a periodic technology refresh; provide a guide to information technology decision makers, lower costs of information technology through reduced support costs and economies of scale;

(f) *User support/help desk*. Provide technical, operational and help desk support for applications, servers, personal computers and mobile devices connected to the Pension Fund networks; provide infrastructure support for approved software applications, such as productivity systems, e-mail, knowledge management systems and custom applications; operation of and the provision of support to conference room facilities and equipment, including video/audio and projection functions;

(g) *Messaging*. Provision and maintenance of electronic messaging services, including e-mail, videoconferencing services and unified messaging; provision and maintenance of mobile messaging and communications for handheld devices and services.

*Enterprise applications services*

(a) *Development*. Maintain systems that enhance productivity and efficiency by incorporating those that reduce manual processing of benefits; enhance participant and beneficiary processing and relate to banking, accounting system and workflow interfaces;

(b) *Enterprise systems maintenance*. Maintain and enhance enterprise systems for core business applications, including pension administration, accounting and content management;

(c) *Maintenance of member organization information-sharing*. Provision and maintenance of member organization information-sharing for the data collection of human resources and financial information, maintenance of custom interfaces and systems programmes to enhance human resources and financial data collection with the various enterprise resource planning interfaces used by organizations, and maintenance of electronic file transfer interface to securely support the sharing and translation of information.

*Enterprise data services*

(a) *Database administration*. Implement, maintain and enhance the availability of Pension Fund databases across various information technology platforms; perform database upgrades; monitor usage and resolve problems; create new tables and views; identify data integrity issues; and support system development activities as they relate to database access in line with business requirements;

(b) *System programming*. Implement and maintain database systems and host computer operating systems and programmes to the extent necessary to provide mission-critical data to various applications and interfaces;

(c) *Data warehouse support*. Implement, maintain and enhance the availability of the data warehouse system; provide data cleansing and federation across various platforms;

(d) *Management reporting*. Implement, maintain and enhance management reporting using business intelligence tools.

*Enterprise Security Services*

(a) *Information security*. Periodic security risk assessments of technological structures and operations of the Pension Fund offices in New York and Geneva and securing the network using various security tools, including firewalls, anti-spam and anti-virus solutions;

(b) *Identity management*. Provide the ability to centrally manage the provisioning and deprovisioning of identities, and consolidate the proliferation of identity repositories;

(c) *Disaster recovery*. Formulate, adopt and implement a multi-year disaster recovery strategy to support Pension Fund business continuity requirements.

*Enterprise project management services*

(a) *Governance*. Enhance and implement the programme management infrastructure with strong governance utilizing the model established by the governing bodies of the Information Management Systems Service;

(b) *Project management methodology*. Provide guidance in project management processes and methodologies in a manner that is efficient, consistent and standardized;

(c) *Project management support*. Update, monitor and maintain the project portfolio in accordance with project management methodologies; provide mentoring and coaching in an effort to raise the project management maturity level of the organization;

(d) *Audit governance*. Manage and comply with internal and external audit observations as they relate to information and technology services.

*Enterprise quality and production control services*

(a) *Quality standardization*. Identify and document the requirements for various quality standards for implementation within the Information Management Systems Service;

(b) *Change management*. Identify and implement a complete change management framework with proper segregation of duties;

(c) *Service level and delivery agreements*. Compile statistics and manage all service level and delivery agreements of the Information Management Systems Service;

(d) *Production control*. Oversee the quality assurance function to ensure that all systems are placed into the production environment only after undergoing a comprehensive evaluation and user acceptance test.

*Contract management services*

Monitor and manage the various components of the budget of the Information Management System Service; provide administrative support to information and communications technology services, including the identification of available resources, the entry of pre-encumbrances and the processing of requisitions, purchase orders and related invoices; account for the assets of the Service; manage vendor relationships, including those with technology partners, contractors and outsourcers; provide expert level knowledge in the development of generic specifications for technology procurement; work directly with the United Nations Procurement Service to ensure that value-added solutions are provided at the lowest possible cost.

Table 19
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 8 426.7 | 8 607.6 | 32 | 31 |
| Non-post | 32 814.1 | 34 717.3 | | |
| **Total** | **41 240.8** | **43 324.9** | **32** | **31** |

90. The amount of $43,324,900 will provide for the continuation of 31 posts; 26 established posts (1 D-1, 2 P-5, 6 P-4, 10 P-3, 1 General Service (Principal level) and 6 General Service (Other level)); 5 temporary posts (1 P-5, 1 P-4, 2 P-3 and 1 General Service (Other level)) and non-post resources. One temporary post at the P-4 level was authorized for 12 months only, and this post was abolished in 2011. The increase in non-post resources ($1,903,200) is attributable primarily to other staff costs ($127,000) and contractual services ($5,975,900), partially offset by decreases in requirements for furniture and equipment ($3,976,400), travel of staff ($21,600) and general operating expenses ($177,400). The total resources requested for the Integrated Pension Administration System project in the amount of $12,661,400 is attributable to contractual services ($11,466,400) and temporary posts ($1,195,100).

### Legal Office

***Resource requirements (before recosting): $1,358,400***

91. The Legal Office continues to provide unified legal service for the Fund's management and operations in the New York and Geneva offices. It will provide substantive, procedural and administrative support to the Audit Committee and the Standing Committee (appeals) of the Pension Board as well as to the United Nations Staff Pension Committee (disability cases). The Office will ensure that the Fund's operations comply with the Regulations and Rules of the Fund and that the

Regulations are consistently interpreted. In addition to all sections and offices in the secretariat of the Fund, legal services and support are provided to participants and retirees and/or their legal representatives in regard to the application of the Fund's Regulations and Rules in individual cases. The Office has focused on a new approach to the documentation and dissemination of legal precedents, rulings and policy decisions. Such promotion of knowledge-sharing facilitates the efficient use of legal information and experience accumulated by the Legal Office, enhances the use of best practices, and enables managers and staff to take into account legal risks in their daily decision-making.

Table 20
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To protect the legal interests of the Fund and to provide expert legal advice on Pension Fund matters to the Chief Executive Officer, the Pension Board and Standing Committee and other governance bodies of the Pension Fund

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Improved uniformity and consistency in the application of the Regulations, Rules and Pension Adjustment System of the Pension Fund | (1.1) Reduced number of requests for review and appeals where the Fund's position is not upheld by either the Standing Committee or the Appeals Tribunal<br>*Performance measures*<br>2008-2009: 90 per cent of cases upheld<br>Estimate 2010-2011: 100 per cent of cases upheld<br>Target 2012-2013: 100 per cent of cases upheld |
| (2) Modernized and improved communication and knowledge-sharing in respect of legal matters | (2.1) The number of legal decisions and jurisprudence documented and disseminated using the Pension Fund Case Digest and other knowledge management tools<br>*Performance measures*<br>2008-2009: not applicable<br>Estimate 2010-2011: 100 per cent of Standing Committee and Tribunal cases, 10 per cent of legal rulings codified<br>Target 2012-2013: 100 per cent of Standing Committee and Tribunal cases, 30 per cent of legal rulings codified |

| | |
|---|---|
| (3) Improved organizational and procedural aspects of meeting servicing, as well as enhanced substantive support to the members of the Committees | (3.1) The satisfaction of the members of the Pension Board, Standing Committee, Audit Committee and the United Nations Staff Pension Committee concerning the level and quality of substantive secretariat services<br><br>*Performance measures*<br><br>2008-2009: no complaints about support<br><br>Estimate 2010-2011: no complaints about support<br><br>Target 2012-2013: no complaints about support |

**External factors**

92. The Legal Office is expected to achieve its objective and expected accomplishments on the assumption that: (a) the Fund's committees, Pension Board, member organizations, operational staff and management will seek legal advice when the legal interests or liabilities of the Fund are affected by their activities and operations; (b) legal advice is sought in a timely manner and clients provide sufficient information for legal analysis and will be guided by the advice rendered; and (c) the required human and financial resources will be made available.

**Outputs**

93. During the biennium 2012-2013, the following outputs will be delivered:

(a) Provision of advice on questions relating to interpretation and application of the Fund's Regulations, Administrative Rules and Pension Adjustment System, provision of operational support in respect of administrative polices and procedures;

(b) Provision of advice on and, as appropriate, supervision and oversight of the review, negotiation and drafting of agreements and other legal instruments with member organizations, as well as other international and intergovernmental organizations;

(c) Provision of advice and preparation of documentation regarding institutional and operational modalities, legal submissions and other legal documents; preparation of respondent's answers to the United Nations Appeals Tribunal in cases concerning pension matters (10 instances);

(d) Preparation of legal publications or communications to Fund participants/beneficiaries, pension secretariats and administrations of member organizations, including the relevant material for the Fund's website;

(e) Servicing of the meetings of the United Nations Staff Pension Committee, Standing Committee and Audit Committee, including streamlining and modernizing information-sharing, by electronic dissemination of documents through web-based Quick Places and the other knowledge management tools of the Fund:

(i) Provision of advice on rules of procedure, interpretation and implementation of resolutions and Pension Board/Committee decisions;

(ii) Substantive, technical and administrative servicing of the meetings of the Standing Committee (2 instances), including the preparation of approximately

12 requests for review and appeals; analysis of legal issues and the preparation of reports and documentation;

(iii) Substantive, technical and administrative servicing of the meetings of the United Nations Staff Pension Committee (4 instances); preparation of applications for disability benefits (approximately 140 new adult cases, 40 child cases and approximately 190 review cases and 2 appeals cases); preparation of reports and documentation;

(iv) Substantive, technical and administrative servicing of the meetings of the Audit Committee (6 instances), including the coordination of preparation of documentation and reports;

(f) Codification and systematic dissemination of the jurisprudence of the Standing Committee and Administrative Tribunal cases as well as other legal reference files, opinions, policy decisions and guidelines;

(g) Liaison with member organizations of the Fund, their Staff Pension Committees and other international organizations on issues related to legal questions in pension schemes;

(h) Representation of the Fund at international or regional meetings, inter-agency meetings and meetings of legal advisers of member organizations, and participation in various standing boards, committees, ad hoc working groups and task forces, as required.

Table 21
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | | 1 358.4 | | 4 |
| Non-post | | | | |
| **Total** | — | **1 358.4** | — | **4** |

94. In order to more clearly analyse programme support, the Legal Office has been segregated from the Office of the Chief Executive Officer and redesignated as a subprogramme of programme support. The amount of $1,358,400 provides for the continuation of four posts, three redeployed from the Office of the Chief Executive Officer (2 P-5 and 1 General Service (Other level)) and one from the Geneva Office (1 P-4, Legal Officer). The latter will be located in Geneva.

**Executive Office**

***Resource requirements (before recosting): $11,838,900***

95. The Executive Office provides the administrative and programme support necessary for the implementation of the activities of the Fund. It assists the Chief Executive Officer and the Director of the Investment Management Division in the preparation of the biennial budget submission and provides the relevant support

services for the efficient utilization of human and financial resources. It also provides a general administration and facilities management service.

Table 22
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To facilitate the achievement of the operational and strategic goals of the Fund through efficient and effective administrative and programme support

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Timely recruitment and placement of staff | (1.1) Reduction in the average number of working days a post remains vacant |
| | *Performance measures* |
| | 2008-2009: 200 days |
| | Estimate 2010-2011: 180 days |
| | Target 2012-2013: 150 days |
| | (1.2) Increased percentage of women in posts at the Professional level and above for appointments of one year or more |
| | *Performance measures* |
| | 2008-2009: 32 per cent |
| | Estimate 2010-2011: 39 per cent |
| | Target 2012-2013: 45 per cent |
| (2) Improved versatility of staff by internal and external training | (2.1) Increased production of bespoke learning courses available |
| | *Performance measures* |
| | 2008-2009: 30 |
| | Estimate 2010-2011: 38 |
| | Target 2012-2013: 48 |
| | (2.2) Increased staff participation in and successful completion of learning and career development programmes |
| | *Performance measures* |
| | 2008-2009: 618 |
| | Estimate 2010-2011: 700 |
| | Target 2012-2013: 700 |

| | |
|---|---|
| (3) Improved management and monitoring of the Fund's administrative budget | (3.1) Reduce unliquidated obligations and cancellation of prior-period obligations as a percentage of final appropriations<br>*Performance measures*<br>2008-2009: not applicable<br>Estimate 2010-2011: 9 per cent<br>Target 2012-2013: 8 per cent |
| (4) Enhanced quality and timeliness of facilities and property services | (4.1) Decreased working days lost due to downtime of building facilities<br>*Performance measures*<br>2008-2009: zero<br>Estimate 2010-2011: zero<br>Target 2012-2013: zero |

**External factors**

96. The Executive Office is expected to achieve its objective and expected accomplishments on the assumption that the required human and financial resources are made available.

**Outputs**

97. During the biennium 2012-2013, the following outputs will be delivered:

(a) Human resources management:

(i) Provision of policy advice to all staff on all issues relating to human resources management;

(ii) Manage tracking data of job openings for hiring managers to support recruitment targets;

(iii) Report on electronic Performance Appraisal System compliance data to directors;

(iv) Schedule interviews for all INSPIRA and temporary vacancy announcement recruitment;

(v) Deal with issues related to staff-management relations (rebuttal panels, etc.);

(b) Staff training and career development:

(i) Develop Fund-specific courses and facilitate knowledge transfer for a learning management system platform in coordination with the Information Management Systems Service;

(ii) Arrange training courses on Fund premises;

(iii) Monitor and track mandatory courses for all staff;

(iv) Induct all new staff into the Fund;

(v) Provide career development advice;

(c) Administration:

(i) Provide day-to-day administrative support to the staff of the Fund;

(ii) Maintain the staffing table;

(iii) Process General Service and Professional personnel actions to meet payroll each month;

(iv) Renew staff contracts two months prior to expiration by alerting supervisors for recommendations;

(v) Analyse individual staff cases of benefits and entitlements in accordance with United Nations policy and action any change or update to individual benefits and entitlements;

(vi) Provision of certified business travel to the Fund staff and associated personnel;

(vii) Arranging travel for United Nations members of the Pension Board and members of the Audit Committee and Committee of Actuaries and the staff of the Fund;

(viii) Maintain time and attendance records;

(ix) Maintenance of Quick Place website for Audit Committee members to access documentation related to meetings;

(d) Finance and Budgetary Control:

(i) Provide guidance to programme managers on, and completion of the Fund's biennial and revised budgets;

(ii) Issuance and revision of allotments;

(iii) Certification of all expenditures;

(iv) Monitoring and reporting expenditure to programme managers on a monthly basis;

(v) Provision of advice and guidance on the application of the Financial Regulations and Rules to programme managers;

(vi) Control of the administrative budget, including verification of invoices prior to payment;

(vii) Completion of schedule I (Status of appropriations in relation to administrative expenses) of the Fund's annual financial statement;

(viii) Reconciliation of administrative expenses between the Fund and United Nations Secretariat;

(e) Facilities and property management:

(i) Ensure that facilities are maintained and are in operational condition;

(ii) Coordinate with building management and vendors for any required repairs;

(iii) Manage contracts relating to the office space;

(iv) Provide support in the planning and configuration of new and existing office space;

(v) Maintain and support the asset/inventory management system for fixed assets of the Fund;

(vi) Coordinate disposal of obsolete equipment and furniture;

(vii) Maintain and support the Fund emergency notification system;

(viii) Maintain emergency contact information for staff of the Fund for security/emergency action purposes.

Table 23
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 1 659.3 | 1 718.6 | 7 | 7 |
| Non-post | 11 451.5 | 10 120.3 | | |
| **Total** | **13 110.8** | **11 838.9** | **7** | **7** |

98. The amount of $11,838,900, representing a decrease of $1,271,900, provides for the continuation of seven posts (1 P-5, 1 P-4, 1 P-3 and 4 General Service (Other level)) and the reclassification of one P-3 post as a P-4 post, and for non-post requirements for the Administration as a whole. The decrease in non-post resources of $1,331,200 is due primarily to a decrease in the rental and maintenance of premises as a result of the use of more accurate estimates.

## C. Investment costs

### 1. Overview

99. The Investment Management Division assists the Secretary-General, under the authority delegated by the Representative of the Secretary-General in accordance with article 19 of the Regulations of the United Nations Joint Staff Pension Fund, in the management of the investment of the Fund's assets. It is responsible for the day-to-day management of those assets, implementing the approved investment strategy and ensuring that the portfolio conforms to the approved asset allocation, policies and Regulations and Rules of the Fund. Its mandate is to generate the total amount of portfolio returns required to meet the liability demands of the Fund while staying under the Fund's risk threshold. The Division ensures that performance and portfolio risk analysis reports are accurate and up to date, and arranges for the maintenance of appropriate and accurate accounts on the Fund's investments. The main sections of the Division are: the Office of the Director, the Investment Section, the Risk and Compliance Section, the Operations Section and the Information Systems Section.

100. The overall level of resources for the Investment Management Division amounts to $91,799,300 before recosting, reflecting a net increase of $10,601,800,

or 13.1 per cent, compared with the revised appropriations for the 2010-2011 biennium. The net increase, as shown in table 25, can be summarized as follows:

(a) Executive direction and management: the decrease of $1,567,900 relates to the decrease in non-post costs, comprising primarily decreases in travel ($1,382,200), consultants ($2,028,800) and other staff costs ($1,665,100), which have been requested under the relevant programme, offset by an increase in posts ($508,200) due to the redeployment of one P-4 Legal Officer from the Risk and Compliance Section and one General Service (Other level) post from the Operations Section and contractual services ($3,000,000);

(b) Programme of work: the increase of $7,451,700 is attributable to six additional posts offset by the redeployment of two posts to the Office of the Director ($1,115,100) and non-post resources of $6,336,600, attributable to contractual services ($2,772,200); in addition, other staff costs ($1,416,200), travel of staff ($1,271,200) and consultants ($877,000), all of which were requested under executive direction and management in previous submissions, have been requested under programme of work;

(c) Programme support: the net increase of $4,718,000 for the Information Systems Section ($5,794,500) is attributable to one additional post ($863,600), an increase in contractual services ($4,040,000), other staff costs ($779,300) and travel ($111,000), the latter two of which were requested under executive direction and management in prior submissions, which is offset in part by a decrease in administrative support of $1,076,500 under rental and maintenance of premises due to the completion of the renovation of the thirtieth floor of 1 Dag Hammarskjöld Plaza for the Division.

101. The estimated distribution of resources is shown in table 24, and resource requirements by component are shown in table 25.

Table 24
**Percentage distribution of resources by component**

| *Component* | *Regular budget* |
|---|---|
| A. Executive direction and management | 7.7 |
| B. Programme of work | |
| 1. Investments | 53.9 |
| 2. Risk and compliance | 2.9 |
| 3. Operations | 12.0 |
| **Subtotal, programme of work** | **68.8** |
| C. Support | |
| 1. Information Systems Section | 19.1 |
| 2. Administrative support | 4.4 |
| **Subtotal, programme support** | **23.5** |
| **Total** | **100.0** |

Table 25
**Resource requirements by component**
(Thousands of United States dollars)

| Component | 2010-2011 appropriation | Resource growth | | Total before recosting | Recosting | Apportionment | | 2012-2013 estimate |
|---|---|---|---|---|---|---|---|---|
| | | Amount | Percentage | | | United Nations | Pension Fund | |
| A. Executive direction and management | 8 654.2 | (1 567.9) | (18.1) | 7 086.3 | 52.33 | — | 7 138.6 | 7 138.6 |
| B. Programme of work | | | | | | | | |
| 1. Investments | 51 568.3 | (2 091.7) | (4.1) | 49 476.6 | 655.8 | — | 50 132.4 | 50 132.4 |
| 2. Risk and compliance | 1 931.6 | 680.1 | 35.2 | 2 611.7 | (19.2) | — | 2 592.5 | 2 592.5 |
| 3. Operations | 2 178.5 | 8 863.3 | 406.9 | 11 041.8 | 179.9 | — | 11 221.7 | 11 221.7 |
| **Subtotal, B** | **55 678.4** | **7 451.7** | **13.4** | **63 130.1** | **816.5** | — | **63 946.6** | **63 946.6** |
| C. Support | | | | | | | | |
| 1. Information | 11 777.3 | 5 794.5 | 49.2 | 17 571.8 | 253.2 | — | 17 825.0 | 17 825.0 |
| 2. Administrative | 5 087.6 | (1 076.5) | (21.2) | 4 011.1 | 16.9 | — | 4 028.0 | 4 028.0 |
| **Subtotal, C** | **16 864.9** | **4 718.0** | **28.0** | **21 582.9** | **270.1** | — | **21 853.0** | **21 853.0** |
| **Total** | **81 197.5** | **10 601.8** | **13.1** | **91 799.3** | **1 138.9** | — | **92 938.2** | **92 938.2** |

### 2. Executive direction and management

***Resource requirements (before recosting): $7,086,300***

102. The Director of the Investment Management Division sets forth the framework under which the sections of the Division establish their strategies and priorities to ensure that the Division carries out its mandate, while guaranteeing the best possible conditions of security, performance, responsibility and accountability and ensuring full compliance with the highest standards of efficiency, competence and integrity. The Director promotes the controlled, efficient and effective management of the assets of the Fund through a workplan designed to reflect the long-term goals and priorities of the Division and of the Fund as a whole. The Director leads the Division's cooperation with the Fund's Audit Committee, the United Nations Board of Auditors and the Office of Internal Oversight Services (OIOS).

103. The Office of the Director is responsible for providing critical legal, contract management and requisitioning services as well as administrative support, including making strategic human resources projections in response to the growing needs of the Division. The Office also provides services for and supports the Investments Committee.

104. The objective is to develop the Office of the Director into a unit that would assist the Division in monitoring and coordinating the timely implementation of its workplan. The scope and responsibilities of the Office have increased and diversified as the Fund has grown in terms of both types of investments and number of staff and sections. Thus, provided that sufficient systems and staffing are available, the plan is to strengthen and expand the functioning of the Office by establishing specialized units with clear mandates and responsibilities to deal with legal and contract management; requisitioning, budget preparation and invoice processing; the Investments Committee and legislative bodies; and administration-related issues.

Table 26
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To ensure the full implementation of legislative mandates and compliance with the Regulations and Rules of the Fund, taking into account the recommendations of the Investments Committee and the decisions of the Representative of the Secretary-General with respect to the management of the Fund's programme of work in relation to investments and of staff and financial resources

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Determining, in consultation with the Representative of the Secretary-General, guidelines on asset allocation ranges, currency holdings, market weightings, strategic and tactical short-term allocations; investment opportunities; and information systems and operational infrastructure | (1.1) Outperformance of Fund's investments |
| (2) Timely and effective planning and coordination of Investment Management Division procurement needs | (2.1) Percentage of requests for proposal completed within 6 months |
| (3) Provision of a wide range of legal advice on various types of investments and contracts | (3.1) Successful completion of new investment transactions and execution of contracts |
| (4) Effective servicing of Investments Committee and other legislative bodies | (4.1) No complaints received from Investments Committee members and other participants |
| (5) Timely recruitment and placement of staff | (5.1) Reduction in the average number of days for which a post remains vacant |
| | (5.2) Reduction in the vacancy rate |

**External factors**

105. The objective and accomplishments are expected to be achieved consistently on the assumption that (a) all stakeholders will be supportive of the efforts of and will extend their full cooperation to the Investment Management Division; and (b) there are no significant shortfalls in funding for the implementation of the mandates established by the General Assembly and the Pension Board. The accomplishment of the executive direction programme depends on the full cooperation of the relevant United Nations departments and divisions.

**Outputs**

106. During the biennium 2012-2013, the following outputs will be delivered:

(a) A regularly updated and implemented investment policy that ensures forcefully implemented investment strategy in accordance with the guidance received by the Investments Committee;

(b) A medium-term procurement plan, resulting from the effective and regular coordination of Investment Management Division procurement needs with the Procurement Division, that produces high-quality solicitation documents and results in faster solicitation and participation of high-quality firms in the bidding process in approximately 10 procurement exercises;

(c) Approximately 160 contracts, negotiated and executed with regular coordination and contacts with legal experts in the Office of Legal Affairs and the Legal Counsel;

(d) Four Investments Committee meetings are organized annually. The Pension Board, the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee and other relevant parties are provided with accurate reports on investments;

(e) Investment Management Division staff travel and training plans are implemented. Vacancies are filled within 180 days.

Table 27
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 1 941.6 | 2 449.8 | 7 | 9 |
| Non-post | 6 712.6 | 4 636.5 | | |
| **Total** | **8 654.2** | **7 086.3** | **7** | **9** |

107. The amount of $7,086,300, representing a $1,567,900 decrease, provides for the continuation of seven posts (1 D-2, 1 P-5, 1 P-4, 1 General Service (Principal level) and 3 General Service (Other level)), the redeployment of two posts, one each from the Risk and Compliance Section (1 P-4) and the Operations Section (1 General Service (Other level)), and non-post resources for the Division as a whole for the travel of representatives and hospitality. The decrease in non-post resources is attributable primarily to the apportionment of resources for other staff costs ($1,665,100), travel of staff ($1,382,200) and consultants ($2,028,800), offset in part by an increase in contractual services ($3,000,000).

## 3. Programme of work

### Investment Section

***Resource requirements (before recosting): $49,476,600***

108. The Investment Section is responsible for achieving optimal investment returns for the Fund while avoiding undue risks. The Section consists of seven organizational entities, namely, North American equity, European equity, Asia-Pacific equity, global emerging markets equity, fixed income, real estate and alternative investments. The primary functions involve monitoring current portfolios, keeping abreast of and tracking developments in the financial markets, and making and carrying out investment decisions. The fulfilment of these functions involves the preparation of financial analyses, attendance at meetings and conferences and travel to various countries to meet analysts and companies' management. A secondary function is contributing to the formulation of reports to all the governing bodies.

109. The tasks of the Investment Section for 2012-2013 include (a) to meet the long-term objective of an annualized real rate of return on the investments of the Fund of

3.5 per cent, as adjusted by the United States consumer price index; (b) to achieve consistent outperformance of the policy benchmark by the Fund's investments; (c) to maintain a risk level commensurate with target investment returns; and (d) to reduce currency risks and country risks through sound diversification.

Table 28
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: The long-term objectives are: (a) to achieve optimal return for the Fund in real terms without undue risk; and (b) to diversify the portfolio with respect to asset type, currency and geography

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) A long-term annualized real rate of return on the investments of the Fund of 3.5 per cent, as adjusted by the United States consumer price index | (1.1) Total Fund return against the Fund's objective over a 10-year period<br>*Performance measures*<br>2008-2009: underperformed the objective by 1.7 per cent over a 10-year period ended December 2009, while the Fund experienced the global financial crisis in 2008 and early in 2009<br>Estimate 2010-2011: according to preliminary numbers, the Fund performed 3.5 per cent in real terms over a 10-year period ended December 2010, in line with the Fund's return target<br>Target 2012-2013: outperform the long-term target of an annualized real rate of return of 3.5 per cent |
| (2) Consistent outperformance of the Fund's investments relative to the policy benchmark, which is 60 per cent in equity, 31 per cent in fixed income, 6 per cent in real estate and 3 per cent in cash | (2.1) Total return against the policy benchmark over a 5-year period<br>*Performance measures*<br>2008-2009: outperformed the benchmark by 0.9 per cent over a 5-year period ended December 2009<br>Estimate 2010-2011: according to preliminary numbers, the Fund performed 10.2 per cent in nominal terms in 2010, marginally underperforming the 60/31 benchmark return of 10.6 per cent<br>Target 2012-2013: outperform the policy benchmark |
| (3) Reduction of currency risk and country risk through sound diversification | (3.1) Number of currencies invested in<br>*Performance measures*<br>2008-2009: invested in 27 currencies as of December 2009<br>Estimate 2010-2011: invested in 35 currencies as of December 2010 |

| | |
|---|---|
| | Target 2012-2013: further refine the allocation of the Fund's assets by currency as appropriate |
| | (3.2) Number of countries invested in |
| | 2008-2009: invested in more than 41 countries, including emerging markets, in international/regional institutions and in investment trusts as of December 2009 |
| | Estimate 2010-2011: invested in more than 47 countries, including emerging markets, in international/regional institutions and in investment trusts as of December 2010 |
| | Target 2012-2013: further refine the allocation of the Fund's assets by country as appropriate |
| (4) Diversification of investments in alternative asset classes | (4.1) Number of strategies of alternative asset classes invested in |
| | *Performance measures* |
| | 2008-2009: not applicable |
| | Estimate 2010-2011: Senior Investment Officer for Alternative Investments joined the Fund in June 2010. The target for the period from June 2010 to December 2011 is to finalize Alternative Investments adviser selection and make commitments to 5-10 managers. The Real Assets Adviser was selected in June 2009, and a detailed strategy for real assets will be set early in 2011. The Fund will make commitments in several funds in infrastructure and timber/agricultural lands |
| | Target 2012-2013: By the end of 2013, the Fund expects to be committed to up to 15 to 20 private equity funds and hedge funds of funds. Private equity performance over time will be measured using dollar-weighted return and internal rate of return calculations, while the hedge fund portfolio will be measured using time-weighted return calculations. Benchmarking for the Fund will be discussed with the Fund's private equity and hedge fund Advisers and will be presented in detail at a later stage |
| (5) Enhanced capacity of staff to address issues related to investments and portfolio management | (5.1) Percentage of staff who attend at least 1 relevant conference or seminar |
| | *Performance measures* |
| | 2008-2009: not applicable |
| | Estimate 2010-2011: not applicable |
| | Target 2012-2013: each staff member attends at least 1 seminar or conference |

**External factors**

110. The objective and accomplishments are expected to be achieved consistently on the assumption that (a) all stakeholders will be supportive of the efforts of and will extend their full cooperation to the Investment Management Division; (b) there are no significant shortfalls in funding for the implementation of the mandates established by the General Assembly and the Pension Board; and (c) the financial markets such as global equity, global fixed income, real estate and foreign exchange will move in the direction of the long-term assumptions.

**Outputs**

111. During the biennium 2012-2013, the following outputs will be delivered:

(a) A positive total return exceeding the Fund's objective, which is a long-term annualized real rate of return on investment of 3.5 per cent, as adjusted by the United States consumer price index;

(b) A positive total Fund return exceeding the policy benchmark, which is 60 per cent in equity, 31 per cent in fixed income, 6 per cent in real estate and 3 per cent in cash;

(c) The maintenance of a well-diversified portfolio, in terms of both currencies and countries, in order to reduce currency risk and country risk;

(d) Successful implementation of the alternative asset class suited to the Fund objective when market conditions are favourable for the Fund to earn a return premium exceeding what could be earned from investments in publicly listed equities;

(e) The enhancement of the professionalism and in-depth knowledge of staff, who will help to improve the performance of the Fund through participation in conferences and seminars directly related to investments and portfolio management.

Table 29
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 7 698.4 | 8 974.3 | 27 | 31 |
| Non-post | 43 869.9 | 40 502.3 | | |
| **Total** | **51 568.3** | **49 476.6** | **27** | **31** |

112. The amount of $49,476,600, representing a $2,091,700 decrease, provides for the continuation of 27 posts (1 D-1, 7 P-5, 6 P-4, 4 P-3, 4 General Service (Principal level) and 5 General Service (Other level)) and the establishment of 4 new posts (3 P-4 and 1 P-3) and for non-post resources. The decrease in non-post resources is attributable to contractual services ($5,090,300) and the inclusion of resources for other staff costs ($197,500), travel of staff ($1,025,200) and consultants ($500,000) previously requested under executive direction and management.

**Risk and compliance**

***Resource requirements (before recosting): $2,611,700***

113. The Risk and Compliance Section is a newly established entity responsible for identifying, measuring and managing all aspects of risks to which the Fund is exposed. In addition, in terms of compliance, it is mandated to implement adequate monitoring and control processes covering the Fund's investments. Its function comprises two sub-functions: risk management and compliance.

Table 30
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To establish controls and monitor compliance for various risks to which the Fund is exposed, namely, market risk, operational risk, credit risk, and legal and reputational risk. The function is also responsible for establishing the risk budget at the asset and manager levels, monitoring compliance with the risk budget and helping the investment function to maximize risk-adjusted returns based on established risk appetite

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Effective oversight of the risks involved in the Fund's investment operations | (1.1) All investment trades effectively covered by monitoring activities |
| | *Performance measures* |
| | (percentage number of cases) |
| | 2010-2011: 100 per cent |
| | Target 2012-2013: 100 per cent |
| (2) Risk management framework established | (2.1) Fully implement the risk analytics system and train all portfolio managers to integrate risk analytics into portfolio construction |
| | *Performance measures* |
| | Target 2012-2013: 100 per cent |
| | (2.2) Implementation of risk management controls as outlined in the Risk Management Manual: percentage of implemented risk controls |
| | *Performance measures* |
| | Successful implementation of all established risk guidelines and controls |
| | Monitor controls, conduct trend analysis and modify guidelines and controls in accordance with changes in investment environment or as new risks are identified |
| | 2010-2011: 75 per cent |
| | Target 2012-2013: 99 per cent |

| | |
|---|---|
| (3) Compliance with established policies and procedures of Investment Management Division | (3.1) Percentage of investment transactions in compliance with policies and standard operating procedures<br><br>*Performance measures*<br><br>(percentage of transactions)<br><br>Target 2012-2013: 95 per cent<br><br>(3.2) Assurance of higher ethical standards on the part of staff members in relation to the discharge of their duties and responsibilities as international civil servants<br><br>*Performance measures*<br><br>(percentage number of staff members)<br><br>Target 2012-2013: 100 per cent<br><br>(3.3) Successfully coordinates and facilitates compliance with audit recommendations<br><br>*Performance measures*<br><br>(percentage of completed audits)<br><br>Target 2012-2013: 100 per cent |
| (4) Implementation of multiple custodians and independent master record-keeper | (4.1) Independent master record-keeper and multiple custodians fully implemented and operational, integrated with other Investment Management Division systems such as those for risk management, accounting and trade order management<br><br>*Performance measures*<br><br>Target 2012-2013: 100 per cent |

**External factors**

114. The Risk and Compliance Section is expected to achieve its objective and accomplishments on the assumption that all external parties will be supportive of the efforts of and will extend full cooperation to the Section. Other external factors include:

(a) More volatile equities markets;

(b) More volatile currencies market with large swings, requiring extensive quantitative analysis capacity for the use of index-linked tools for offsetting risks;

(c) More credit risk from sovereign countries;

(d) Operating in inflationary and/or deflationary environments simultaneously in various geographies;

(e) More international trade barriers;

(f) Changes in benchmarks if there are shifts in macroeconomic trends;

(g) Sudden underfunding of risks due to depreciation in base currency (United States dollar), causing funds to reach historical highs, while being potentially underfunded as use of the two-track feature increases and as liabilities increase in other currencies;

(h) Run on commodities;

(i) High unemployment becomes the "new normal" on a sustained basis in developing economies;

(j) Sovereign countries default on their loans.

**Outputs**

115. During the biennium 2012-2013, the following outputs will be delivered:

(a) The maintenance of policies and standard operating procedures, namely, standard operating investment policies and procedures, the Risk Management Manual, the compliance policy and manual, the code of ethics and the personal securities, gift and hospitality policies;

(b) The completion of quarterly compliance reviews of the Fund's investment operations to ensure the effective management of the Fund's compliance risks;

(c) The administration of certification of acknowledgement, trade order pre-clearances, report of personal securities, hospitality log and mandatory leave;

(d) The organization of training programmes pertaining to investment compliance, code of ethics (total of two on-site division-wide programmes);

(e) Coordination for full compliance with the annual United Nations financial disclosure programme;

(f) The preparation of periodic reports to the Audit Committee of the Pension Board (total of eight presentations);

(g) Acting as a focal point for planned internal and external audits of the Board of Auditors and the Office of Internal Oversight Services, and for queries from the Ethics Office.

Table 31
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 1 931.6 | 1 919.7 | 6 | 7 |
| Non-post | | 692.0 | | |
| **Total** | **1 931.6** | **2 611.7** | **6** | **7** |

116. The amount of $2,611,700, representing a $680,100 increase, provides for the continuation of five posts (1 D-1, 2 P-4 and 2 General Service (Principal level)), the redeployment of one P-4 post to the Office of the Director and one General Service (Other level) post from the Operations Section and the establishment of one new

post (1 P-4). The increase in non-post resources is attributable primarily to the inclusion of resources for other staff costs ($321,600), travel of staff ($193,400), consultants ($127,000) and contractual services ($50,000) previously requested under executive direction and management.

**Operations**

***Resource requirements (before recosting): $11,041,800***

117. The Operations Section of the Investment Management Division is responsible for back-office investment operations, accounting and reconciliation and the financial reporting of all investment transactions and related activities of the Fund. It is also responsible for settling all investment trades and foreign-exchange transactions in a timely and accurate fashion, employing industry-standard solutions for straight-through and exception processing. In addition, it ensures that all investment activities, such as trades, foreign-exchange transactions, income collection, maturities, tax collection and corporate actions, are properly recorded in accordance with IPSAS, adopted by the Fund for the preparation of financial statements, with adequate internal controls and audit trail. Furthermore, the Section is responsible for the production of daily cash projections enabling the Investment Section to manage cash for all of the currencies utilized by the Division for investment purposes. The Operations Section is also responsible for the implementation of IPSAS with regard to all the Fund's investment activities to be reported and reflected in the Fund-wide financial statements commencing on 1 January 2012, under the general guidance and direction of the Fund's Chief Financial Officer. The Section works closely with the custodians for trade and foreign-exchange settlements, the investigation of interest claims on failed trades, income collection, maturities, tax collection and corporate actions. It also works closely with the master record-keeper for the daily reconciliation of cash and holdings, the fair market valuation of the Fund's investments and the general ledger feed. The Section works closely with the Information Systems Section to assist in the implementation of more efficient processes, ensuring internal controls, while enhancing the various computerized investment activities of the Division and minimizing manual intervention.

Table 32
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To ensure the security of the Fund's investments and increase transparency in the financial reporting thereof

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Automated back-office trade settlement and reconciliation processes with the capacity to handle an increased volume of investment transactions | (1.1) Increased percentage of properly authorized investment trades settled within market-prescribed settlement time frames<br>*Performance measures*<br>2008-2009: 96.25 per cent<br>Estimate 2010-2011: 98 per cent |

| | |
|---|---|
| | Target 2012: 99 per cent |
| | Target 2013: 99 per cent |
| | (1.2) Reduced number of days needed for the resolution of discrepancies in positions/holdings and cash |
| | *Performance measures* |
| | 2008-2009: not applicable |
| | Estimate 2010-2011: implementation and testing stage |
| | Target 2012: resolve discrepancies within 3 days |
| | Target 2013: resolve discrepancies within 2 days |
| (2) Successful implementation of IPSAS, adopted by the Pension Fund in coordination with governing bodies | (2.1) Timely submission of the Division's IPSAS-compliant financial statements to the Fund's Chief Financial Officer (by 15 March of the following year) |
| | *Performance measures* |
| | 2008-2009: 1 April 2010 |
| | Estimate 2010-2011: 15 March 2011 |
| | Target 2012: 15 March 2012 |
| | Target 2013: 15 March 2013 |
| | (2.2) Unqualified audit opinion from the Board of Auditors on financial statements |
| | *Performance measures* |
| | 2008: unqualified audit opinion |
| | 2009: modified audit opinion |
| | Estimate 2010-2011: unqualified audit opinion |
| | Target 2012: unqualified audit opinion |
| | Target 2013: unqualified audit opinion |
| (3) Fully functional operations with the new dual custodians and independent master record-keeper model | (3.1) All operational systems fully functional when new custodians and master record-keeper providers are selected |

**External factors**

118. The Operations Section is expected to achieve its objectives on the following assumptions:

(a) The internal mission-critical systems (the Charles River trade order management system, Murex MX.3, SWIFT and Omgeo) and the independent master record-keeper's general ledger feed system will provide full straight-through processing and exception-based processing and reconciliation on a timely basis; the

implementation of Omgeo, the independent master record-keeper and the general ledger accounting systems are all dependent on the successful negotiation of contracts;

(b) The satisfactory performance of the two custodians and the independent master record-keeper in the delivery of custodial and master record-keeping services.

**Outputs**

119. During the biennium 2012-2013, the following outputs will be delivered:

(a) The settlement of all securities trading, real estate, alternative assets and currency-exchange transactions on the settlement or value date;

(b) The automated reconciliation of securities/positions/holdings and cash, including income (dividends, interest and cash distributions), maturities and corporate actions on a daily exception basis;

(c) Successful test or dry run of 30 June 2012 financial statements, with favourable review/comments by external auditors on IPSAS compliance;

(d) The production of IPSAS-compliant financial statements and disclosures (investments portion only) by 15 March 2013;

(e) All assets are transferred and accounted for and re-registered with the new custodians;

(f) All standard reports are produced by the new master record-keeper and custodians.

Table 33
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 2 178.5 | 2 029.6 | 11 | 10 |
| Non-post | | 9 012.2 | | |
| **Total** | **2 178.5** | **11 041.8** | **11** | **10** |

120. The amount of $11,041,800, representing a $8,863,300 increase, provides for the continuation of nine posts (1 P-5, 1 P-3, 2 General Service (Principal level) and 5 General Service (Other level)), the redeployment of two General Service (Other level) posts, one each to the Office of the Director and the Risk and Compliance Section, and the establishment of one new post (1 P-3). The increase in non-post resources is attributable primarily to contractual services ($7,812,500) and resources that were previously requested under executive direction and management, comprising other staff costs ($897,100), travel of staff ($52,600) and consultants ($250,000).

4. **Programme support**

**Information Systems Section**

***Resource requirements (before recosting): $17,571,800***

121. The Information Systems Section is responsible for the technology, data management, applications, policies, procedures and management of projects facilitating the investment processes and reliable investment data. The Section will continue implementing solutions to enhance investment data quality and convenience, streamline and standardize investment processes, provide viable technology-enforcing security policies, enable business continuity and implement controls that are in line with Investment Management Division investment guidelines in order to mitigate operations and business risks. More important, the Section will provide good investment data that will be part of the solution to generate value for the Fund and enable smart risk management.

Table 34
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization**: To provide information technology solutions and technological support to facilitate front-to-back investment processes

| Expected accomplishments | Indicators of achievement |
|---|---|
| (1) Implementation of Investment Management Division information and communications technology strategy, including implementation and integration of new and existing systems facilitating investment activities | (1.1) Exception-based processing of investment transactions enabled<br>*Performance measures*<br>Percentage of transactions processed straight through<br>2008-2009: not available<br>2010-2011: 90 per cent (trade order management, SWIFT, custodian bank)<br>Target 2012-2013: 95 per cent<br>(1.2) Standardization and modernization of investment processes supported<br>*Performance measures*<br>Percentage of business processes standardized<br>2008-2009: not available<br>2010-2011: 85 per cent<br>Target 2012-2013: 95 per cent<br>(1.3) Risk and compliance management enabled<br>*Performance measures*<br>Number of risk and compliance tools offered |

| | |
|---|---|
| | 2008-2009: not available<br>2010-2011: 2<br>Target 2012-2013: 2 |
| (2) Increased quality, security and availability of Investment Management Division investment data | (2.1) Investment data validated and reconciled in a timely manner<br>*Performance measures*<br>Percentage of dependable investment reports produced<br>2008-2009: 50 per cent<br>2010-2011: 75 per cent<br>Target 2012-2013: 90 per cent<br>(2.2) High availability of information technology services<br>*Performance measures*<br>Percentage of potential information technology operation risk<br>2008-2009: 20 per cent<br>2010-2011: less than 5 per cent<br>Target 2012-2013: less than 1 per cent |

**External factors**

122. The subprogramme is expected to achieve its objective and expected accomplishments on the assumption that (a) the procurement and legal processes undertaken by the United Nations Secretariat on behalf of the Investment Management Division are completed within the expected time frame; (b) stakeholders fulfil their responsibilities and extend their full cooperation in attaining the objectives of the Division's information and technology strategy, facilitating Division business; and (c) the Information Management Systems Service supports the consolidated information and communications technology infrastructure in a timely manner.

**Outputs**

123. During the biennium 2012-2013, the following outputs will be delivered:

(a) Trade order management (Charles River), back-office tasks, reconciliation, accounting (Murex) and the interbank messaging system (SWIFT) are successfully and fully implemented and supported;

(b) Data hub, foreign exchange and fixed income investment execution systems are implemented;

(c) Investment processes are properly documented;

(d) Exception-based processing of investment transactions is achieved;

(e) Standardization and streamlining of business processes are facilitated;

(f) Compliance monitoring and system are supported and facilitated;

(g) Automatic data feed is implemented and data validation is supported;

(h) Data reconciliation is supported;

(i) The Division's information and communications technology infrastructure is strengthened;

(j) Security policies and disaster recovery are implemented and supported;

(k) Business continuity is enabled.

Table 35
**Resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Post | 1 593.9 | 2 457.5 | 7 | 8 |
| Non-post | 10 183.4 | 15 114.3 | | |
| **Total** | **11 777.3** | **17 571.8** | **7** | **8** |

124. The amount of $17,571,800, representing a $5,794,500 increase, provides for the continuation of seven posts (1 P-5, 3 P-4, 2 P-3 and 1 General Service (Principal level)) and the establishment of one new post (1 P-4). The increase in non-post resources is attributable primarily to increased requirements for contractual services ($498,500) and the moving of market data contractual services from the Investment Section to the Information Systems Section ($3,541,500) and to resources that were previously requested under executive direction and management, comprising other staff costs ($779,300) and travel of staff ($111,000).

**Administrative support**

***Resource requirements (before recosting): $4,011,100***

Table 36
**Financial resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| Non-post | 5 087.6 | 4 011.1 | | |
| **Total** | **5 087.6** | **4 011.1** | — | — |

125. The amount of $4,011,100, representing a $1,076,500 decrease, provides for non-post resources for the Division as a whole. The decrease is attributable primarily to the rental and maintenance of premises ($916,900) due to the one-time

request in the revised budget for 2010-2011 for the renovation of additional office space at 1 Dag Hammarskjöld Plaza.

## D. Audit costs

***Resources requested (before recosting): $2,748,200***

126. The distribution of resources is shown in table 37.

Table 37
**Financial resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| External audit | 661.2 | 774.7 | | |
| Internal audit | 1 983.8 | 1 973.5 | | |
| **Total** | **2 645.0** | **2 748.2** | — | — |

127. The amount of $2,748,200 covers the estimated requirements for external audit ($774,700) as requested by the Board of Auditors and for internal audit ($1,973,500) as requested by the Office of Internal Oversight Services.

### 1. External audit

***Resource requirements (before recosting): $774,700***

128. Provision is made in the amount of $774,700 for the costs associated with the Board of Auditors and apportioned to the Fund by the secretariat of the Board of Auditors.

### 2. Internal audit

***Resource requirements (before recosting): $1,973,500***

129. The amount of $1,973,500 provides for the continuation of five general temporary assistance posts (1 P-5, 2 P-4, 1 P-3 and 1 General Service (Other level)), training and non-post resources comprising consultants, travel of staff, contractual services, communications, operating expenses, supplies and materials, and furniture and equipment. The reduction in costs is due primarily to general temporary assistance required as a result of a reduction in the standard salary tables and the net effect of minor changes to the resources requested for other non-post resources.

## E. Board expenses

***Resources requested (before recosting): $200,000***

Table 38
**Financial resource requirements**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2010-2011* | *2012-2013 (before recosting)* | *2010-2011* | *2012-2013* |
| **Board expenses** | **167.5** | **200.0** | — | — |

130. The General Assembly, in section IV of its resolution 61/240, authorized Board expenses, comprising the administrative costs of Board sessions, the Chair's travel expenses and the travel expenses of working groups, to be included in the Fund's budget and charged against administrative expenses.

131. The amount of $200,000 covers the estimated requirements for Board expenses and comprises travel costs for the Chair to attend the fifty-ninth and sixtieth sessions of the Board and meetings of the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee, travel costs of members of the Chief Executive Officer Search Group and administrative expenses of the fifty-ninth and sixtieth sessions ($120,000), to be held in July 2012 and July 2013.

# IV. Emergency Fund

132. The General Assembly, in section III of its resolution 62/241, authorized the Pension Fund to supplement the voluntary contributions to the Emergency Fund for the biennium 2008-2009 by an amount not exceeding $200,000.

133. It is proposed that the Pension Board recommend to the General Assembly that it authorize the Board to supplement contributions to the Emergency Fund for the biennium 2012-2013 by an amount not exceeding $200,000.

# V. Recommendation for ad hoc measures regarding implementation of the International Public Sector Accounting Standards by 1 January 2012

134. At its fifty-seventh session, in July 2010, the Board had approved the implementation of IPSAS as of 1 January 2012. As requested, a report on the status of the implementation of the new accounting standards was presented to the Board by the secretariat and the Investment Management Division in July 2011.

135. Currently, the Fund reports under the Financial Regulations and Rules of the United Nations. It was noted that the United Nations was planning to implement IPSAS in 2014, and, in this regard, the Board was informed that the United Nations was planning to present to the General Assembly at its sixty-seventh session, in 2012, proposed changes to the Financial Regulations and Rules.

136. In the light of the timeline for revising the Financial Regulations and Rules of the United Nations, and with the support of the Pension Fund Audit Committee, the Board was requested, for the sole purpose of the Fund's timely implementation of IPSAS, to recommend for the approval of the General Assembly, at its sixty-sixth session in 2011, the following transitional measure concerning the Fund's financial reporting:

> "As a transitional measure, the Board authorizes the Fund to continue to apply the Financial Regulations and Rules of the United Nations mutatis mutandis to their accounting processes and financial reporting, and in a manner that allows the Fund to be IPSAS-compliant. The Board hereby recommends that in accordance with article 19 (b) of the Regulations of the United Nations Joint Staff Pension Fund, the Secretary-General maintain detailed accounts of all investments and other transactions relating to the Fund in a manner that is IPSAS-compliant."

137. The Board was informed that, with the approval of the transitional measure, the Fund's full implementation of IPSAS would fulfil the Board's decision to adopt IPSAS in 2012, subject to the subsequent formalization of the Fund's financial regulations and rules. The Fund's financial statements for 2012 would be presented and audited on the basis of IPSAS, which would provide the regulatory framework.

138. After discussion, the Board endorsed the transitional measure concerning the Fund's financial reporting and recommended this measure for the approval of the General Assembly at its sixty-sixth session, in 2011.

## VI. Action to be taken by the General Assembly

139. **The Pension Board recommends the following to the General Assembly:**

**(a) The approval of a reduction in appropriations for 2010-2011 amounting to $21,772,800. The revised appropriations for the 2010-2011 biennium would then amount to $154,545,700, divided into administrative costs ($80,478,500), investment costs ($71,289,000), audit costs ($2,532,900) and Board expenses ($245,300). Of this amount, $133,037,000 would be apportioned to the Fund and $21,508,700 would be directly chargeable to the United Nations under the cost-sharing arrangement;**

**(b) The approval of a revised estimate for the biennium 2010-2011 amounting to $144,300 for extrabudgetary resources;**

**(c) The approval of the Pension Fund estimate for the 2012-2013 biennium amounting to $194,164,000, comprising administrative costs ($98,407,600), investment costs ($92,938,200), audit costs ($2,613,800) and Pension Board expenses ($204,400). Of this amount, $173,260,600 would be apportioned to the Fund and $20,903,400 to the United Nations under the cost-sharing arrangement;**

**(d) The approval of resources for the biennium 2012-2013 amounting to $156,800 for extrabudgetary costs and funded by a number of member organizations;**

**(e) The approval of an amount not exceeding $200,000 to supplement contributions to the Emergency Fund;**

(f) **The approval of the ad hoc and transitional financial measures regarding IPSAS implementation by 1 January 2012.**

# VII. Summary of follow-up action taken to implement requests and recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions

Table 39

## A. Advisory Committee on Administrative and Budgetary Questions

(A/65/567)

| *Request/recommendation* | *Action taken to implement request/recommendation* |
|---|---|
| (a) The Advisory Committee concurs with the Board's recommendations regarding the revised risk management policy and that the Division continue to implement its newly developed risk management manual (para. 7) | The majority of the controls have already been implemented, and efforts are under way to implement those that have not. The Risk Management Manual is a living document that is updated every quarter. Implementation is ongoing, and the target is to implement all controls. Some of the controls set out in the Risk Management Manual are manual, pending resource allocation; others are automated, pending infrastructure modernization. As these milestones are reached, these controls will be implemented. |
| (b) The Advisory Committee concurs with the recommendations of the Board of Auditors. The Committee is concerned at the fact that the Pension Fund received an unqualified audit opinion with one emphasis of matter on the realized and unrealized losses on the investments of the Fund on the financial statements for the biennium ended 31 December 2009. The Advisory Committee urges the Pension Fund to implement the Board's recommendations (para. 9) | This has been done in the notes to the 2010 financial statements that the Investment Management Division submitted to the Pension Fund secretariat on 11 March 2011. The Division will consult further with the IPSAS consultants on these disclosures. |
| (c) The Advisory Committee reiterates its recommendation that the Board continue to explore opportunities for investment in developing countries and countries with economies in transition (para. 10) | The Fund is continuously researching opportunities, and the Director and staff of the Investment Management Division recently travelled to Africa and the Middle East to broaden our award-winning portfolio in African investments. The Director will meet with the World Bank and the International Monetary Fund to review on a regular basis additional opportunities in emerging and frontier markets. |

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| (d) The Advisory Committee concurs with the Board of Auditors that the Pension Fund should finalize and approve its IPSAS implementation plan in a timely manner. The Committee expects that the new Chief Financial Officer will be hired as soon as possible and that, in the interim, preparation for IPSAS will proceed to ensure its implementation on 1 January 2012. Furthermore, the Committee encourages the Board of Auditors to closely monitor the Pension Fund's IPSAS implementation progress and reiterates its recommendation that the Board report to the General Assembly on an annual basis on progress made (see A/65/498, para. 19) (para. 13) | The Fund has finalized its IPSAS implementation plan and timeline, as presented to the Audit Committee and presented to the Pension Board at its 58th session, in July 2011. The recruitment of the new Chief Financial Officer is under way. |
| (e) The Advisory Committee emphasizes that sufficient support, drawn from existing resources, should be made available to ensure the timely and well-managed implementation of IPSAS (para. 15) | The reallocation of existing resources required for IPSAS implementation was approved by the Pension Board at its 57th meeting, in July 2010, and by the General Assembly in December 2010. Additional resources are being requested for 2012-2013. |
| (f) The Advisory Committee concurs with the Pension Board's request that the medical consultant look into the possibility of establishing a standard for medical examinations for purposes of participation in the Fund pursuant to article 41 of the Fund Regulations (para. 18) | As requested, the Medical Consultant will present a note on this matter to the Board at its July 2012 session. |
| Regulations (para. 18). | |
| (g) The Advisory Committee concurs with the Board of Auditors on the need for transparent disclosure of the investments of the United Nations University Endowment Fund and notes that the Pension Board has agreed that such disclosure would be provided in future (para. 20). | This has been done in the notes to the 2010 financial statements that the Investment Management Division submitted to the Pension Fund Secretariat on 11 March 2011. The Division will consult further with the IPSAS consultants on these disclosures. |

## B. Board of Auditors

(A/65/9, annex X)

| *Request/recommendation* | *Action taken to implement request/recommendation* |
|---|---|
| The Board's main recommendations are that: | |
| (a) The Fund finalize and approve its IPSAS implementation plan; identify and involve other stakeholders in the IPSAS implementation project; and provide details on what aspects of the Financial Regulations and Rules would need to be revised (para. 27); | The Fund has finalized an implementation plan and timeline, as presented to the Audit Committee. A steering committee has been established, comprising IPSAS stakeholders from both the Investment Management Division and the secretariat. At present, the Fund follows the Financial Regulations and Rules of the United Nations, pending the adoption of IPSAS. The Investment Management Division is waiting for its IPSAS consultants to recommend suggested language for rules 104.12, 104.13, 104.14, 104.15 and 104.16 to ensure IPSAS compliance. This will be presented to the Audit Committee in June 2011 and to the Pension Board at its fifty-eighth session, in July 2011. |
| (b) The Fund raise a receivable and income for amounts owing to the Fund (para. 30); | Amounts owed by member organizations have been calculated. Once reviewed, they will be issued. |
| (c) The Fund reverse all prior-period unliquidated obligations and accruals as they are paid, and address the weakness in controls that resulted in accruals for items that have already been paid (para. 33); | The Fund has drafted closing instructions for the administrative element of the Lawson accounts. The Executive Office has produced a third draft for review and agreement by the Financial Services Section. In accordance with these instructions, the administrative accounts for the period 1 January 2006 through 31 December 2009 will be adjusted to give the correct balances, brought forward for 1 January 2010. The accounts will be closed as at 31 December 2010 using these instructions. |
| (d) The Fund implement improved controls to ensure that amounts outstanding are recovered in a timely manner and establish a policy on the accounting treatment of long outstanding amounts that are not recoverable (para. 43); | Policy and procedure for long outstanding receivables have been implemented. Ongoing collection efforts are in place. |
| (e) The Fund consider raising a provision for doubtful debts in its financial records to reflect the recoverable amounts at the reporting date (para. 44); | A provision for all receivables older than two years will be included in the Fund's 2010 financial statements. In addition, the write-off of uncollectable receivables amounts began in 2010. |
| (f) The Fund revalue all balances denominated in foreign currencies at the operational rate of exchange prevailing at the reporting date (para. 48); | Agreed. The year-end exchange rate will be used to translate foreign-currency bank-account balances to United States dollars for 2010 financial statements. |

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| (g) The Fund take urgent steps to recover outstanding amounts of foreign taxes (para. 51); | Ongoing. The Investment Management Division continued to make extensive efforts to prevent the imposition of taxes and to recover taxes withheld on its investment income in various jurisdictions. In particular, in January 2010 representatives of the Division met with representatives of the State Administration of Taxation of China, in Beijing, to address the formal recognition and implementation of the Fund's tax-exempt status in that country. Representatives of the Division also initiated discussions with representatives of the Government of Brazil, which led to the issuance in April 2010 by the Brazilian Revenue Service of a broadly worded formal recognition of the Fund's tax-exempt status in that country. In addition, the Division recently launched a request for proposal for global tax advisory services. The global tax adviser will assist the Division, among others, with its tax reclaim efforts around the world. |
| (h) The Fund record the receivable and related income from the United Nations for the reimbursement of administrative expenses in the correct accounting period (para. 54); | This has been taken into account and the situation rectified as part of the account closure procedures. |
| (i) The Fund continue reconciling the balance with the United Nations to ensure that differences are fully reconciled (para. 57); | For a period of time, the Fund used the interfund balance to reconcile with the United Nations. The United Nations also used this balance. The Fund has now reverted to using actual expenditures when reconciling with the United Nations. |
| (j) The Fund upload the correct accrual amounts from the accounts payable module into the Lawson system and adjust its accounts for differences noted (para. 63); | Ongoing process. Erroneous items have been identified. Proper entries will be made for 2010 to correct these balances. |
| (k) The Fund perform regular monthly reconciliations between the accounts payable module and the general ledger (para. 64); | The Financial Services Section is awaiting a Cognos "cube" to support Lawson data for the generation of a new report. |
| (l) The Fund reallocate debit balances in accounts payable to accounts receivable, and complete the data cleansing exercise to ensure that all amounts included in accounts payable were valid payables (para. 67); | This is an ongoing process. Efforts began in 2010 and will continue throughout 2011 to correct these accounts. |
| (m) The Fund develop an ageing tool to analyse benefits payable (para. 70); | The Financial Services Section is awaiting a Cognos "cube" to support Lawson data for the generation of a new report. |
| (n) The Fund apply article 46 of the Regulations and Rules of the Fund by adjusting benefit payables related to all amounts that are due for forfeiture (para. 75); | This is an ongoing exercise and is part of the data cleansing to be completed by the end of 2011. |

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| (o) The Fund comply with the submission dates for financial statements as required by the Financial Regulations and Rules of the United Nations (para. 79); | As reported to the Board (see A/65/9), the Fund is unable to comply with the 31 March completion date, owing to the reconciliation procedures for payments from the organizations members of the Fund. The Investment Management Division submitted its part of the financial statements to the Fund secretariat on 11 March 2011. Going forward, the Division will ensure the submission of the financial statements to the secretariat by 15 March of the following year. |
| (p) The Fund develop and implement accounting policies that have a clear basis for how transactions are accounted for in the accounting records of the Fund, and ensure that all accounting policies are clearly defined and disclosed in the financial statements (para. 84); | The footnotes will continue to be enhanced as part of IPSAS implementation. This process will continue as part of the 2010 and 2011 financial statements, with full adoption of IPSAS for 2012. |
| (q) The Fund compile reconciliations or working papers for all line items on the financial statements and prepare supporting schedules of calculations or adjustments that are in agreement with the book of entries (para. 89); | The Fund report writer consolidates general ledger accounts into line items for financial statements so that all financial statement numbers can be traced to source documents. |
| (r) The Investment Management Division make a complete disclosure in its financial statements of the investments it manages for the United Nations University Endowment Fund (para. 92); | Implemented. This has been done in the notes to the 2010 financial statements that the Investment Management Division submitted to the Fund secretariat on 11 March 2011, specifically under funds under management. The Division will consult further with the IPSAS consultants on these disclosures. |
| (s) The Investment Management Division reconsider its formal arrangements for providing a fund management service to third parties (para. 93); | The Investment Management Division will provide full disclosure. It will fully disclose the independent arrangements established for the United Nations University Endowment Fund in the 1990s on the basis of audit recommendations. Those arrangements include a separate custody account and an independent outside fund manager. There has never been any commingling of funds with the Pension Fund. |
| (t) The Investment Management Division continue to implement its newly developed Risk Management Manual (para. 111); | Ongoing. The majority of the controls have already been implemented and efforts are under way to implement the rest. The Risk Management Manual is a living document that is updated every quarter. Implementation is ongoing, and the target is to implement all controls. Some of the controls specified in the Risk Management Manual are manual, pending resource allocation; others are automated, pending infrastructure modernization. As these milestones are reached, these controls will be implemented. |

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| (u) The Investment Management Division undertake a case-by-case review to identify lessons to be learned in respect of all realized investment losses for 2008-2009, and current ongoing unrealized loss positions (para. 112); | The Investment Management Division has reviewed the catastrophic events of 2008 and has taken note of the risks posed by excessively loose monetary policy in place for extended periods of time. The Division has implemented a formal weekly and quarterly compliance and investment review of unrealized gains and losses exceeding 25 per cent. |
| (v) The Investment Management Division provide a clear description and disclosure of investments in the financial statements, by tabulating separately gains and losses on the sale of investments, as well as disclosing all unrealized gains and losses as at the balance sheet date (para. 113); | Implemented. This was done in the notes to the 2010 financial statements that the Investment Management Division submitted to the Fund secretariat on 11 March 2011. The Division will consult further with the IPSAS consultants on these disclosures. |
| (w) The Investment Management Division address the remaining open or in-process recommendations, given that the findings of OIOS reflected significant shortcomings in investment compliance (para. 117); | Implemented. With the hiring of a Compliance Officer in October 2009, the Investment Management Division made important advances in its compliance programme. New policies have been implemented, including in relation to personal trading, gifts and hospitality, and mandatory leave; other policies are pending review and acceptance. The Division's Risk and Compliance Section, using its risk and compliance manuals and various automated systems, is monitoring Fund investments on a continuous basis to ensure that there is adequate oversight and enforcement of Division policies and standards. Multiple OIOS recommendations have been addressed and closed. There is a formal procedure in place for monitoring and addressing OIOS recommendations in a timely manner. Division staff training sessions have been conducted, including one with the Ethics Office. The Risk and Compliance Section has determined that at this time there are no wilful or recurring violations of Division policies or procedures that risk financial harm to the Pension Fund, or to its reputation, participants or beneficiaries. |
| (x) The Fund enhance its disclosure of the major actuarial assumptions and changes in relation to the valuation of the end-of-service liabilities in the notes to the financial statements (para. 124); | For 2009, the Fund included the 2009 actuarial valuation as part of the financial statements. In addition, for the first time the Fund recorded the after-service health insurance and end-of-service liabilities on the face of the financial statements. |
| (y) The Fund develop a funding plan for end-of-service liabilities for consideration by its governing body (para. 131); | On hold. Any funding plan will require the United Nations to fund one third of specific elements. Implementation of this recommendation has been placed on hold pending such a plan by the United Nations Secretariat. |

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| (z) The Fund consider a revision of its policy for the valuation of annual leave liability in its implementation of IPSAS (para. 139); | The Fund is having continuing discussions with the United Nations and the IPSAS task force on whether annual leave should be valued as a current liability or as an actuarial valuation. |
| (aa) The Fund implement measures to ensure that physical inventory counts are conducted and reconciled to the asset register in a timely manner and on a regular basis (para. 144); | 100 per cent inventory checks are carried out every 12 months. Commencing in 2011, these checks will be carried out in the fourth quarter of each year owing to IPSAS implementation in 2012. Furthermore, in future signed proof of such checks will be maintained. |
| (bb) The Fund obtain the inventory reports from the Property Management and Inventory Control Unit of the United Nations, and obtain full administrative access to the ProcurePlus system for the purpose of updating all assets and obtaining inventory reports (para. 145); | Inventory reports are received from the Property Management and Inventory Control Unit monthly. The Fund requested access to ProcurePlus from the Office of Central Support Services by a memorandum dated 30 September 2010 with a follow-up dated 15 October 2010, and is awaiting a response. |
| (cc) The Fund secretariat develop a human resources plan (para. 149); | The Fund drafted a human resources plan and presented it to the Pension Board at its fifty-seventh session, in July 2010. |
| (dd) The Fund secretariat consider ways to strengthen succession planning as measured by the retention of retired staff (para. 153); | The Fund's training and development platform, which includes e-learning, is constantly being developed and updated in consultation with programme managers. The expertise of retired staff is utilized to assist in this process. See also paragraph 8 of the Chief Executive Officer's memo to the Board of Auditors dated 15 April 2010. |
| (ee) The Fund address the recommendations of OIOS, given that they reflected significant shortcomings in human resources management (para. 158); | (a) The Fund adheres to the annual leave policy as provided by staff regulation 5.1, "Staff members shall be allowed appropriate annual leave", and article 105 of the Staff Rules. Fund management will encourage personnel in positions involving financial responsibilities to take an uninterrupted period of two weeks of annual leave each year. This is mandatory for Investment Management Division staff.<br><br>(b) The Executive Office manually prepared a staffing table, which is reconciled with the Integrated Management Information System (IMIS) on a monthly basis.<br><br>(c) A tracking system has been developed to monitor the recruitment of staff and will be used to develop benchmarks for each stage of the recruitment process. Until the Fund has sufficient data to calculate its own benchmark, the United Nations benchmark of 120 days will be used. Hiring managers are encouraged to carefully review applicants with a view to gender parity. |

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| | (d) Functional packages in IMIS must be proposed by the supervisor for the staff member, and will be reviewed and then authorized accordingly by the Executive Office. No staff members outside the Executive Office will be provided with the IMIS human resources functions without the approval of the Chief Executive Officer. |
| | (e) Staff members working beyond the age of retirement are now under the category of "temporary" within the new contractual framework. The general procedures issued in January 2009 provide an annex for the workplan for and subsequent evaluation of temporary staff, to be completed by supervisors and managers. |
| | (f) Supervisors, in consultation with department heads and staff members, clearly identify and document training needs in each staff member's e-PAS. Departments will monitor or continue to monitor implementation. |
| | (g) Compliance monitoring will be continued with the provision of statistical and individual feedback to department heads, with a focus on the timely completion of e-PAS. |
| (ff) The Fund secretariat reconcile monthly contributions from member organizations and follow up on unreconciled items in a timely manner (para. 162); | Under current conditions, monthly reconciliations are unfeasible. However, a pilot plan has just begun in order to test a system that would permit monthly reconciliations. |
| (gg) The Fund secretariat establish systems to verify the accuracy of the information provided by the member organizations prior to year-end closing, and ensure that reconciliations are performed and verified before the financial statements are finalized (para. 167); | A pilot that was started for the 2009 fiscal year was expanded in 2010, with positive results. The auto file transfer and edit check of year-end files will increase the accuracy of reporting and decrease the manual workload of the Fund. |
| (hh) The Fund secretariat upload evidence of follow-up with beneficiaries on the content manager system where the signatures on certificate of entitlement forms were different from original signatures, and comply with procedure general 2001-68, which requires that all available digital images of a beneficiary's signature be uploaded on the content manager system (para. 174); | (a) It is standard practice to systematically upload, and scan to the appropriate file in the content manager system, evidence of all official correspondence of the Fund with its participants and beneficiaries. This includes follow-up letters sent out to clarify signature discrepancies. Should such a document be missing from a file, it would be an exception and due to an oversight. |
| | (b) As explained above, it is standard procedure to upload to the content manager system all documents pertaining to the files of the Fund's beneficiaries and participants. An omission would be the result of an oversight and would be an exception. |

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| (ii) The Fund secretariat improve its overall processing times for transfer cases to be in compliance with the six-month processing target (para. 180); | The Fund has caught up with the former backlog in transfer cases, which had been due in part to long delays experienced by the Fund's Actuarial Consultant and in part to policy issues that had to be clarified for certain cases before transfers could be finalized. Today, few cases are long outstanding and none is older than 50 days. The processing benchmark for these cases is therefore met in all cases. |
| (jj) The Fund secretariat implement procedures to reconcile the PENSYS payroll with the Lawson system (general ledger) on a regular basis (para. 184); | The Financial Services Section is looking into the development of a Cognos report in 2011 for such reconciliation. |
| (kk) The Fund secretariat develop and approve comprehensive user account management procedures to ensure adequate user account management, and implement procedures to monitor the validity of user accounts on a regular basis (para. 188); | In progress. The Information Management Systems Service introduced an "access, systems and data privileges" policy to address the account management procedures. Role-based groups have been introduced in the system, and access is defined through these roles when requested by the supervisor. Password resetting and security parameter setting have been implemented within these systems through the use of "active directory policy" and "single sign-on" scripts. Owing to the limitations within PENSYS, it was not considered feasible to introduce "regular logging and review of system activity" within these ageing systems, and thus those functions have been introduced as a requirement for the upcoming replacement with the Integrated Pension Administration System. |
| (ll) The Fund secretariat review the request for change and request for service procedures to take into account the areas requiring improvement as noted by the Board (para. 193); | Recommended for closure. The Information Management Systems Service has reviewed the request-for-change and request-for-service procedures and has updated the request-for-change tool to include a field indicating whether the documentation is required along with the required testing and approvals for implementation. |
| (mm) The Fund secretariat monitor adherence to change control procedures and maintain adequate change control management documentation (para. 195); | Recommended for closure. The Information Management Systems Service has implemented a change management policy and has developed a comprehensive and automated system for approvals and tracking. Processes have been put in place. The Service and supervisors currently monitor adherence to the change control procedures on a daily basis and enforce the policy of documenting any and all changes before implementation. |

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| (nn) The Fund secretariat implement an information technology quality assurance function to ensure that a level of confidence can be established and maintained, and implement controls to prevent the use of the database administrator's username and password by the program analysts (para. 202); | Recommended for closure. Despite the rejection of a "quality assurance position", the Information Management Systems Service has streamlined the requirements of this function by writing a segregation-of-duties policy. In addition, the proper execution of the Service's segregation-of-duties policy is confirmed and monitored by documenting each step (e.g., analyst, developer, migratory) through the modification request process, which requires review by two individuals: the First Approving Officer and the Second Approving Officer. Changes have been put in place whereby the database administrator's username and password are available only to the database administrator. |
| (oo) The Fund secretariat review the appropriateness of the access rights of the program analysts with a specific focus on access to the production environment, and to set procedures to manage instances where such access to the production environment was required (para. 204); | Recommended for closure. Despite the rejection of a "quality assurance position", the Information Management Systems Service has streamlined the requirements of this function by writing a segregation-of-duties policy. Segregation of duties is maintained by ensuring that tasks associated with analysis/development and move-to-production are assigned to two individuals. Furthermore, a system modification plan has been put in place to manage and monitor this process. |
| (pp) The Fund secretariat ensure the existence of adequate segregation of responsibilities in the process of migration of tested and approved changes from the development environment to the test environment and from the test environment to the production environment (para. 206). | Recommended for closure. Despite the rejection of a "quality assurance position", the Information Management Systems Service has streamlined the requirements of this function by writing a segregation-of-duties policy. Segregation of duties is maintained, by ensuring that tasks associated with development, testing and move-to-production are assigned to different individuals. Furthermore, a System Modification Plan has been put in place to manage and monitor this process. |

# Annex I

## Discussions in the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2010-2011 and on the budget estimates for the biennium 2012-2013

### Administrative matters of the Fund

### (a) Revised budget estimates for the biennium 2010-2011

1. The secretariat of the United Nations Joint Staff Pension Fund requested a reduction in the budget estimates for the biennium 2010-2011 amounting to $21,772,800, compared with the revised appropriations of $176,318,500. The final revised appropriations for the 2010-2011 biennium would then amount to $154,545,700, of which $21,508,700 is chargeable to the United Nations under the cost-sharing arrangement.

### (b) Budget estimates for the biennium 2012-2013

2. The proposed budget estimates for the biennium 2012-2013 provide for approved expenditures of $215,999,100 (before recosting), as compared with the total of $176,318,500 for the biennium 2010-2011. The budget submission presented covers administrative costs of $101,768,500, investment costs of $111,282,400, audit costs of $2,748,200 and Board expenses of $200,000. In addition, the estimates provide for one extrabudgetary post for after-service health insurance in the amount of $152,900 and an amount not to exceed $200,000 for the Emergency Fund.

#### Administrative costs

3. The proposed budget under administrative costs totals $101,768,500 before recosting, representing resource growth of 10.2 per cent compared with the appropriation for the 2010-2011 biennium, and 26.5 per cent compared with the revised budget estimates for the 2010-2011 biennium.

4. With regard to administrative costs, the secretariat emphasized that while the overall estimated cost of the Integrated Pension Administration System project remained unchanged, there had been a shift in the original timeline, owing to changes in the implementation strategy. This had resulted in underexpenditure on the project in the 2010-2011 biennium and a request for those funds in the 2012-2013 biennium. In addition, and in line with the secretariat's medium-term human resources strategic plan, a request for 16 additional established posts and 3 reclassifications was proposed, as set out below:

**New posts**

| *Number* | *Category/level* | *Post title* |
|---|---|---|
| 1 | D-1 | Chief, Technical Evaluation and Risk Management |
| 1 | P-5 | Chief, Client Service, Records Management and Distribution |
| 1 | P-3 | Chief, Records Management and Distribution |
| 2 | General Service (Other level) | Benefits Assistant |
| 1 | P-4 | Accountant, IPSAS Specialist |
| 1 | General Service (Principal level) | Senior Accounting Assistant |
| 1 | P-4 | Accountant |
| 1 | P-5 | Chief, Security Officer |
| 1 | P-5 | Chief, Enterprise Architecture |
| 1 | General Service (Other level) | Legal Assistant |
| 1 | P-4 | Finance and Budget Officer |
| 1 | P-3 | Human Resources Training Officer |
| 1 | General Service (Principal level) | Human Resources Assistant |
| 1 | General Service (Other level) | Travel Assistant |
| 1 | General Service (Principal level) | Senior Facilities Management Assistant |

**Reclassifications**

| *Number* | *Category/level* | *Reclassifications* |
|---|---|---|
| 1 | P-4 to P-5 | Chief, Payments Unit |
| 1 | P-4 to P-5 | Cashier |
| 1 | P-5 to D-1 | Chief, Legal Officer |

**Investment costs**

5. The proposed budget under investment costs totals $111,282,400 before recosting, representing resource growth of 37.1 per cent compared with the appropriation for the 2010-2011 biennium ($81,197,500), and 56.1 per cent compared with the revised budget estimate for the 2010-2011 biennium ($71,289,000).

6. Under investment costs, resources requested by the Representative of the Secretary-General included 20 additional posts, as indicated below, and additional resources for contractual services in the area of portfolio management for the implementation of the Leadership Fund, an increase in small capitalization, the master record-keeper and information technology projects.

**New posts**

| *Number* | *Category/level* | *Post title* |
|---|---|---|
| 1 | P-5 | Senior Legal Officer |
| 1 | P-4 | Investment Committee Secretary |
| 1 | P-5 | Senior Investment Officer — External Management |
| 1 | P-4 | Investment Officer — Fixed Income and Foreign Currency |
| 1 | P-4 | Investment Officer — Alternative Investments |
| 1 | P-4 | Investment Officer — Global Emerging Markets |
| 1 | P-4 | Investment Officer — Trade Execution Officer |
| 1 | P-3 | Investment Officer — North American Equities |
| 1 | P-3 | Investment Officer/Analyst — Real Estate |
| 1 | General Service (Other level) | Trade Execution Assistant |
| 1 | P-4 | Due Diligence and Quantities Strategies Risk Manager |
| 1 | P-3 | Compliance Analyst and Operational Risk Manager |
| 1 | General Service (Other level) | Assistant to the Director, Risk and Compliance |
| 1 | P-4 | Chief, Accounting and Reporting |
| 1 | P-3 | Finance Officer, Reconciliations |
| 1 | D-1 | Chief, Information Technology Officer |
| 1 | P-4 | Data Management Officer |
| 1 | P-3 | Information Security Officer |
| 1 | P-3 | Reconciliation Administrator |
| 1 | General Service (Other level) | Administrative Assistant |

**Audit costs**

7. The Fund requested a total of $2,748,200 for external ($774,700) and internal ($1,973,500) audit costs, representing net growth of $103,200, of which $113,500 is attributable to the external auditors.

**Pension Board expenses**

8. A total of $200,000 was requested to cover the costs of two Board sessions and travel expenses of the Chair and the Search Committee for the appointment of the next Chief Executive Officer.

**Extrabudgetary funding**

9. Extrabudgetary resources amounting to $152,900 were requested for the one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme.

**Emergency Fund**

10. An amount not to exceed $200,000 was requested to supplement the Emergency Fund.

**Budget working group**

11. Comments and recommendations made by the budget working group and endorsed by the Board are set out below.

12. In accordance with the decision taken by the Board at its fifty-seventh session, the budget working group began its work on 6 July 2011.

13. The original composition of the working group as agreed by the Board was changed with the replacement of one representative of the executive heads group and one representative of the participants group. The final composition of the working group was as follows:

Ms. J. Forrest (International Telecommunication Union), representing governing bodies

Mr. G. Kuentzle (United Nations), representing governing bodies

Ms. Y. Mortlock* (International Organization for Migration), representing executive heads

Ms. S. Van Buerle (United Nations), representing executive heads (elected as Chair)

Mr. H. Baritt* (World Health Organization), representing participants

Mr. C. Santos-Tejada (United Nations), representing participants

Mr. A. Castellanos del Corral (Federation of Associations of Former International Civil Servants), representing pensioners

Mr. T. Teshome (Federation of Associations of Former International Civil Servants), representing pensioners

* New member.

14. The working group had before it documents relating to: the status of Pension Fund implementation of the International Public Sector Accounting Standards (IPSAS), revised budget estimates for the biennium 2010-2011, the Fund's strategic framework for the period 2012-2013, and budget estimates for the biennium 2012-2013. The working group benefited from valuable interactions with members of the secretariat and the Investment Management Division.

**Performance report for the biennium 2010-2011**

15. As indicated in paragraph 195 of the report on its fifty-fifth session (A/63/9) and paragraph 137 of the report on its fifty-seventh session (A/65/9), the Board decided that the Pension Fund secretariat should provide to the Board on an annual basis, in the context of the programme budget performance report, a detailed analysis of the budgetary variances between the approved budget and actual expenditures. While noting that some information had been provided, the working group was of the view that a more detailed breakdown of the variances in the main object of expenditure groups should be provided in future performance reports. It was also noted that IPSAS required an explanation of variances between the budget and actual expenditure, which would improve the Board's consideration of future budget submissions. Furthermore, where changes in approach, strategy of

implementation, etc., of projects or initiatives had a significant impact on the programme of work and hence on the level of expenditures in the period, this should be more fully explained. It was of particular note that some of the anticipated underexpenditure for the biennium was in fact a rephasing of requirements into the subsequent budget period, a condition that should be reflected in a new submission to facilitate the review of the requests, especially in the context of the Integrated Pension Administration System project.

16. In this context, the working group was of the view that resources programmed for a given biennium should, as a matter of principle, be spent for the purposes approved, during that biennium. The working group also noted recurring underexpenditure for "contractual services" in the Investment Management Division. It expressed appreciation for the Division's efforts to act in a cost-conscious manner and encouraged the continuation of such actions to bring budget estimates further into line with actual performance.

**Strategic framework for the period 2012-2013**

17. The working group acknowledged the continuing efforts made to improve on the results-based presentation, notably through more focused objectives, expected accomplishments and indicators of achievement. It recommended that the Fund align the formulation of its logistical frameworks with the SMART principles — specific, measurable, achievable, realistic and time-bound — which would enable the Board to effectively evaluate the performance of the Fund in delivering the results expected. The working group noted that the strategic framework would require changes in line with decisions to be taken on the budget for the biennium 2012-2013.

18. In addition, the working group noted that, according to the established budgetary process of the United Nations, the strategic framework would have been submitted to the Board in an off-budget year to enable it to provide the Fund with relevant guidance on priorities and the programme of work on which the budget for the subsequent financial period would be formulated. As this was the first year in which the framework had been provided since the Board's decision requiring the submission of a strategic framework, it was recognized that the established cycle would be followed as of 2012, when the strategic framework for the period 2014-2015 would be submitted to the Board at its fifty-ninth session.

**Budget estimates for the biennium 2012-2013**

19. The guiding principle followed by the working group in reviewing the budget proposals and the concerns of its various constituent groups was that the highest level of efficiency, effectiveness and cost-consciousness must be ensured in delivering on the mandate of the Fund, with a particular focus on initiatives to increase returns, reduce risks and/or provide better services to those constituents. Overall, the working group reviewed the justifications provided for the resource increases sought. In a number of cases, the group was cognizant of the fact that the impacts and implications of IPSAS, the Integrated Pension Administration System and other initiatives were not yet fully known. Furthermore, in the view of the working group, it was premature to seek additional resources that would lock a staffing structure in place before the Chief Financial Officer, who had yet to be recruited, could express his or her views on the matter. The working group also

believed that further synergies could be achieved through greater integration of the New York and Geneva operations. The Chief Executive Officer reported to the group that the opportunities for outsourcing were being examined. The working group recommended a closer review of offshoring and outsourcing options, particularly in view of the upcoming expiration of current leases, to achieve efficiencies in administrative costs.

20. Moreover, the working group was fully aware of the financial situation faced by both the participating organizations and Member States, notably the need to achieve efficiencies and effective ways of delivering their work. In the case of the Pension Fund, the working group noted the expansionary nature of the proposals and the heavy reliance on the future anticipated benefits of the Integrated Pension Administration System (a project still in progress), requiring further explanation regarding what actions had been or could now be taken by the Fund to improve its work and the efficiencies and cost savings, including staffing structure changes, that such a project would bring.

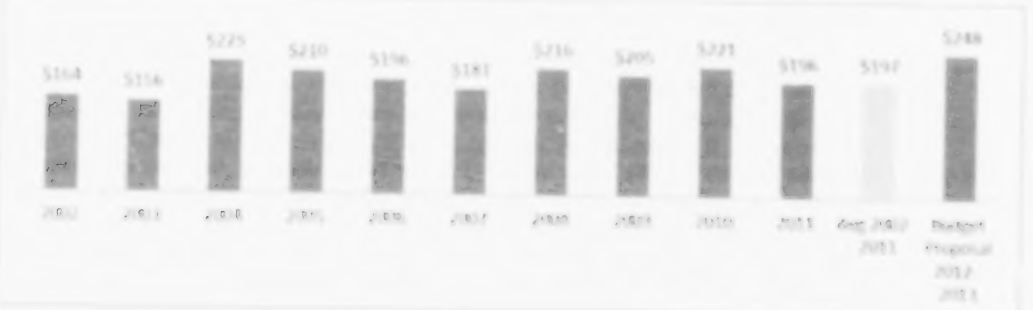
21. The budget working group recognized the consistent growth in the number of participants, which had increased 4.2 per cent over the past 10 years. During the same period, there had been a substantial increase in the complexity of administering participants, which was due largely to the increase in the number of provisions of the Fund's pension adjustment system.

22. Over the past few years, the Fund has also seen unprecedented growth in the budget. The proposed 2012-2013 budget of $216 million represented a 23 per cent increase compared with the 2010-2011 budget, which had been set at $176.3 million, and a 68 per cent increase compared with the 2008-2009 budget of $128.2 million.

23. In order to make a more meaningful evaluation of the overall Administration budget, the working group reviewed "per-participant" costs (total costs divided by number of participants). The calculations, which included adjustments for inflation, showed that the cost of administering a participant had averaged $197 per year over the past 10 years. The proposed budget of $216 million, however, equated to $248 per participant, representing a 26 per cent increase.

**Cost per participant, adjusted for inflation**

(United States dollars)



24. The Chief Executive Officer confirmed to the working group that the Administration used a number of key performance indicators to track the effectiveness and efficiency of the Fund. The working group would recommend that the Fund make efforts to link future budget proposals to those indicators.

**Budget presentation and methodology**

25. The working group noted with appreciation that the decision taken by the Board at its fifty-seventh session regarding the submission of future proposed budget documents to Board members 90 days prior to the Board session had been fully respected. This facilitated early review by the budget working group. It was noted that attempts had been made to align the presentation of the submission as closely as possible with the methodology used by the United Nations.

26. However, the working group made the general observation that the Fund needed to revise the presentation of its budget documentation, with clearer and more concise justifications for changes, to facilitate decision-making by the Board. A quality review of the documentation would also assist in eliminating inconsistencies and ensure that cross-cutting initiatives were presented in an aggregated manner, using tables/graphs where appropriate, to facilitate an understanding of the initiatives. Furthermore, as previously recommended by the Board, the Fund should continue to ensure greater alignment with the budget presentation of the United Nations, in particular as to the differentiation between growth and changes resulting from costing parameter changes, namely, currency, inflation or standard salary costs.

27. The working group noted with concern that little or no progress had been made with regard to the integration and consolidation of certain functions and services, which had favoured the continuation of a silo approach to operations; similarly, it was not clear what work had been done to implement cost-savings initiatives regarding back-office tasks. The Board might wish to consider requesting the Chief Executive Officer and the Representative of the Secretary-General to jointly study options for submission at a future Board session.

**Information technology**

28. The working group noted that the Fund had sought approximately $66 million under the Information Systems Section and the Information Management Systems Service for activities related to information technology. While that level of resources might ultimately prove to be appropriate, it would be opportune, given the growing complexity of the proposals presented to the Board, to prepare and present to the Board, at its fifty-ninth session, a concise, comprehensive and integrated information technology strategy linked to the budget and incorporating validations by independent information technology specialists in the relevant fields of operation of the Fund.

29. In this regard, the working group noted the Fund's heavy reliance on the International Computing Centre. Notably, when reference was made to the Centre's budget, the working group was made aware that the Pension Fund was the second largest user of the Centre's services, after the Department of Field Support. The working group was advised that, owing to the nature of the Centre, no competitive bidding was undertaken for its services, which raised concern as to whether this was the most cost-effective and economical means of meeting the needs of the Fund without compromising data security or confidentiality. At the same time, in

interviews with representatives of the Fund, it had been noted that a separate staffing capacity had been engaged by the Fund through the Centre, with approximately 13 staff at varying levels, ranging from General Service (Other level) to P-5, engaged through contractual services, with some having been on board since 2004.

**International Public Sector Accounting Standards**

30. The working group was pleased to hear the report from the Chief Executive Officer that good progress had been made on the IPSAS project and that there was a high degree of confidence that the Fund would meet the implementation deadlines. The remaining issues relating to fixed assets and employee benefits seemed to been well addressed. The existing finance staffs in both the secretariat and the Investment Management Division were well versed in the Standards. The working group believed that in the long term, IPSAS would be incorporated into the duties of the finance line management, much in the same way as the implementation of the United Nations system accounting standards had been coordinated.

31. The working group did not believe that the establishment of two new posts dedicated to IPSAS was necessary; some funding for short-term consultancies to assist with the financial statements, impairment testing and policy documentation was deemed to be more appropriate.

**Integrated Pension Administration System**

32. With regard to the Integrated Pension Administration System, the working group welcomed the Chief Executive Officer's assertions that he regarded the project as a top priority. It was noted that the Integrated Pension Administration System would fundamentally change the organizational approach from one that was case-driven to one that was process-driven. It was recalled that the System was aimed at improving both efficiency and service delivery. In this context, the working group considered it imperative that the review and improvement, as appropriate, of all relevant existing processes be an integral part of the entire Integrated Pension Administration System change management process. The working group would also encourage the Fund to ensure that the project was not driven primarily by information technology, as full ownership by the substantive areas was indispensable.

33. The working group recommended that the Board request a report on the expected organizational structure of the Fund after the implementation of the Integrated Pension Administration System, to be considered in the context of the next budget submission, at its sixtieth session. The report should also contain a strategic evaluation of all posts affected by the implementation of the System.

34. The Fund had scanned 639,499 documents in 2010, comprising 1,120,602 pages. The Integrated Pension Administration System was intended to replace the entitlement, accounting and document management systems. The working group noted that in the project, staffing resources seemed to have been allocated to both accounting and entitlements, but no specific resources were dedicated to document management. The working group would encourage the Fund to monitor the project skill sets and to ensure that resources were aligned to address document management.

35. The current budget covered additional contractual services and other costs that were required in order to support legacy systems that would be replaced by the Integrated Pension Administration System. The Chief Executive Officer had provided assurances that the System would be delivered according to the project schedule and on or possibly below budget.

36. The Integrated Pension Administration System project would have a major impact on the delivery of services. Therefore, the working group would recommend that a revised organization chart be provided with the next budget submissions.

**Resource proposals**

**Posts**

37. In line with the guiding principle and criteria outlined in paragraph 19 above, and following a series of consultations with the executives and managers involved, the working group proceeded with the review of posts as follows. The Fund sought a total of three reclassifications (3 secretariat posts) and 36 new posts (16 Administration posts and 20 Investment Management Division posts). Having reviewed each post, and following dialogue with representatives of the secretariat and the Division, the working group proposed the following:

(a) Not to support the reclassifications as proposed;

(b) To support seven new posts in the Investment Management Division, as reflected in table 1;

(c) To support the positions set out in table 2 as general temporary assistance positions (not posts, as originally requested) for the duration and purpose indicated;

(d) Not to support the new P-4 Finance and Budget Officer post in the Executive Office of the Fund. On the basis of the explanation that the functions of the post had increased in complexity, the working group supported the reclassification of the existing P-3 Finance and Budget Officer post to the P-4 level.

Table 1

| *Section* | *Post* | | *Number of posts* | *Category* |
|---|---|---|---|---|
| **B. Investments** | | | | |
| **Programme of work** | | | | |
| Investments | Investment Officer | Alternative Investments | 1 | P-4 |
| | Investment Officer | Global Emerging Markets | 1 | P-4 |
| | Investment Officer | Trade Execution | 1 | P-4 |
| | Investment Officer | North American Equities | 1 | P-3 |
| Risk and Compliance | Due Diligence and Quantitative Strategies Risk Manager | | 1 | P-4 |
| Operations | Finance Officer, Reconciliations | | 1 | P-3 |
| **Programme support** | | | | |
| Information Systems | Data Management Officer | | 1 | P-4 |

Table 2

| *Section* | *General temporary assistance positions* | *Number* | *Category* | *Remarks* |
|---|---|---|---|---|
| **A. Administration** | | | | |
| **Programme of work** | | | | |
| Operations | Chief, Records Management and Distribution (Information Management Officer) | 1 | P-3 | Non-recurrent, 24 months |
| | Benefits Assistant for client services (New York) | 1 | General Service (Other level) | Non-recurrent, 24 months |
| **B. Investments** | | | | |
| Office of the Director | Legal Officer/Office of Legal Affairs[a] | 1 | P-4 | Non-recurrent, 12 months |
| **Programme of work** | | | | |
| Operations | Chief, Accounting and Reporting | 1 | P-4 | To remain under general temporary assistance; not converted to a post |
| **Programme support** | | | | |
| Information Systems | Static Data Administrator | 1 | P-3 | |

[a] Resources provided for services to be obtained from the Office of Legal Affairs.

***Administration***

38. Under the Information Management System Service, following a discussion with the Fund on the prioritization of its information technology projects in the light of ongoing dedicated capacity required for Integrated Pension Administration System implementation, the working group did not support the Integrated Management Initiative and proposed a reduction in the budget by an amount of $2,543,300 (before recosting). This would result in the necessary reduction, under contractual services ($1,133,300) and furniture and equipment ($1,410,000), of the Administration budget.

**Temporary posts**

39. The working group supported the continuation of the 17 temporary posts for the Integrated Pension Administration System project at the following levels: 1 P-5, 7 P-4, 4 P-3 and 5 General Service (Other level).

**Other staff costs**

40. The working group agreed to the amount sought under other staff costs, adjusted for the additional requirements for the two general temporary assistance positions approved in operations/administration, as reflected in table 2.

**Consultants**

41. The working group supported the amount sought amounting to $300,000 (before recosting).

### Travel

42. The working group proposed a reduction of 10 per cent in the revised appropriation level.

### Contractual services

43. The working group supported the amount sought, as adjusted for the non-approval of resources for the Integrated Management Initiative project.

### Hospitality

44. To remain at the revised appropriation level.

### General operating expenses

45. The working group agreed to the amount sought under administration. The working group noted an increase in general operating expenses due to bank charges of $3 million. This represented an increase of approximately $500,000 compared with the previous biennium. The working group requested that the Fund review the banking mechanisms in an effort to reduce these fees. A summary report should be provided with the next budget submission.

### Supplies and materials

46. The working group supported the amount sought.

### Furniture and equipment

47. The working group supported the amount sought, as adjusted for the non-approval of resources for the Integrated Management Initiative project.

48. Table 3 summarizes the recommendations on non-post items, as explained above, for administration.

Table 3
(Thousands of United States dollars)

| | |
|---|---|
| Other staff costs | 3 910.3 |
| Consultants | 300.0 |
| Travel | 1 224.5 |
| Contractual services | 31 847.9 |
| Hospitality | 4.0 |
| General operating expenses | 14 248.0 |
| Supplies and materials | 185.8 |
| Furniture and equipment | 2 011.0 |
| **Total non-post resources** | **53 731.5** |

*Investment Management Division*

**Other staff costs**

49. The working group proposed resources at the revised appropriation level, adjusted for additional requirements for the two general temporary assistance positions (non-recurrent resources for one P-4 Legal Officer in the Office of Legal Affairs for 12 months and one P-4 Chief, Accounting and Reporting, for 24 months) as reflected in table 2.

50. In addition, the working group agreed to the establishment by the Investment Management Division of one P-2 Risk and Compliance Implementation Analyst and one 1 P-3 Static Data Administrator, to be accommodated within the overall resources approved for other staff costs (as reflected in table 3).

**Consultants**

51. On the basis of a review of the total resources for IPSAS, the working group proposed that the requirements estimated at $500,000 be reduced to $250,000. Accordingly, the provision under consultants would amount to $1,177,000 (before recosting).

**Travel**

52. The working group proposed maintenance at the revised appropriation level.

**Contractual services**

53. Under contractual services, an amount of $11,250,000, requested for the Leadership Fund, was not supported by the working group at this time. The working group was of the view that a move in this direction was tantamount to a change in the investment strategy that should be discussed at the Board session and supported by unambiguous views on the part of the Investments Committee.

54. Furthermore, as the working group had been advised that the recent contract for the custodian/master record-keeper services had been negotiated at an amount less than anticipated, it was proposed that this line of expenditure be reduced by an amount of $4,138,300.

**Hospitality**

55. The working group proposed maintenance at the revised appropriation level.

**General operating expenses**

56. The working group agreed to the amount sought.

**Supplies and materials**

57. The working group proposed maintenance at the revised appropriation level.

**Furniture and equipment**

58. The working group proposed maintenance at the revised appropriation level.

59. Table 4 summarizes the recommendations on non-post items, as explained above, for the Investment Management Division.

Table 4
(Thousands of United States dollars)

| | |
|---|---|
| Other staff costs | 2 892.2 |
| Consultants | 1 177.0 |
| Travel | 2 000.0 |
| Contractual services | 62 532.1 |
| Hospitality | 22.0 |
| General operating expenses | 4 485.1 |
| Supplies and materials | 160.0 |
| Furniture and equipment | 700.0 |
| **Total non-post resources** | **73 968.4** |

**Pension Board expenses**

60. The working group fully supported the resources requested to cover the Board expenses.

**Extrabudgetary funding**

61. The working group supported the resources for one General Service (Other level) staff to be funded by member organizations participating in the scheme.

**Discussion in the Board**

62. The Board noted with appreciation that the budget document had been provided as requested, 90 days prior to the opening of the session, allowing for a thorough review of the document by the budget working group.

63. The executive heads supported the outcome of the working group and were pleased that the budget presentation had been carried out in compliance with International Public Sector Accounting Standard No. 24 and had been prepared within the time frame requested by the Board. The executive heads were concerned that inaccuracies in the information presented in the proposal had complicated the analysis conducted by the working group and the consideration by the Board. They recommended that analysis be carried out thoroughly, making use of ratios as appropriate. They also commented that budgets approved in prior periods had been underspent.

64. Governing bodies endorsed the recommendations of the working group. They recommended that at future meetings, the document be introduced earlier, together with opening statements by key officials, so as to inform the considerations of the working group more fully.

65. The participants group supported the recommendations of the working group, noting that the asset-liability management studies had recommended a diversification of the Fund's assets towards alternative assets. The group recalled the recommendation, made at the previous session of the General Assembly, to

proceed with the greatest of prudence. It also recalled that professional advancement should not be impeded by budgetary constraints.

66. The Federation of Associations of Former International Civil Servants supported the working group's conclusion and expressed its thanks to the working group.

67. It was also commented that comparator bases should be modified to allow for inflation and currency effect as necessary, that in an overall context of austerity possible cost reductions should be sought in items such as travel and information technology, and that budget requests should be closely linked to strategic goals. With regard to the International Public Sector Accounting Standards, any system changes likely to have an impact on member organizations should be flagged well in advance.

68. Members of the Board also stated that:

(a) The Fund should take a critical look at the methodology and assumptions made when budgeting for contractual services;

(b) The table contained in the report of the budget working group reflecting the trend in cost per participant was useful and could serve as a model for the Fund in carrying out further analysis.

69. The Representative of the Secretary-General made a statement to the Board in which he cautioned that the opportunity costs of foregone investment returns, as a result of savings achieved on investment management, could far exceed those apparent savings. As the fiduciary of the Fund, the Representative of the Secretary-General placed on record his worries and concerns that the structural underfunding of the Investment Management Division would represent an unacceptable risk for the generation of adequate returns in future to support existing and projected liabilities.

70. The Chief Executive Officer thanked the working group and expressed appreciation for the group's support of key projects including the Integrated Pension Administration System and the International Public Sector Accounting Standards. He referred to the chart contained in the report of the working group reflecting cost per participant, providing further clarification that whenever an increase in cost per participant occurred, it was due to a project, and the cost per participant would again decrease after the completion of the project. As examples, he referred to the spike in 2004 relating to the relocation of the Pension Fund offices from the Secretariat Building to 1 Dag Hammarskjöld Plaza, and to the spike in 2012-2013 corresponding to the Integrated Pension Administration System project, which included 17 temporary posts that would be eliminated after the completion of the project.

71. The Deputy Chief Executive Officer confirmed that the target operating model related to the Integrated Pension Administration System project remained unchanged, with the same objectives and benefits. The change that had occurred related to the location of the new information technology infrastructure needed for the project at the North American data centre in New Jersey. The decision to install the project's information technology infrastructure at the Centre had followed the identification of serious vulnerabilities at 1 Dag Hammarskjöld Plaza data centre. The Deputy Chief Executive Officer also indicated that all substantive groups within

the Fund were involved with the project and that an Integrated Pension Administration System steering committee was in place. He confirmed that the project was expected to be completed as presented and within budget.

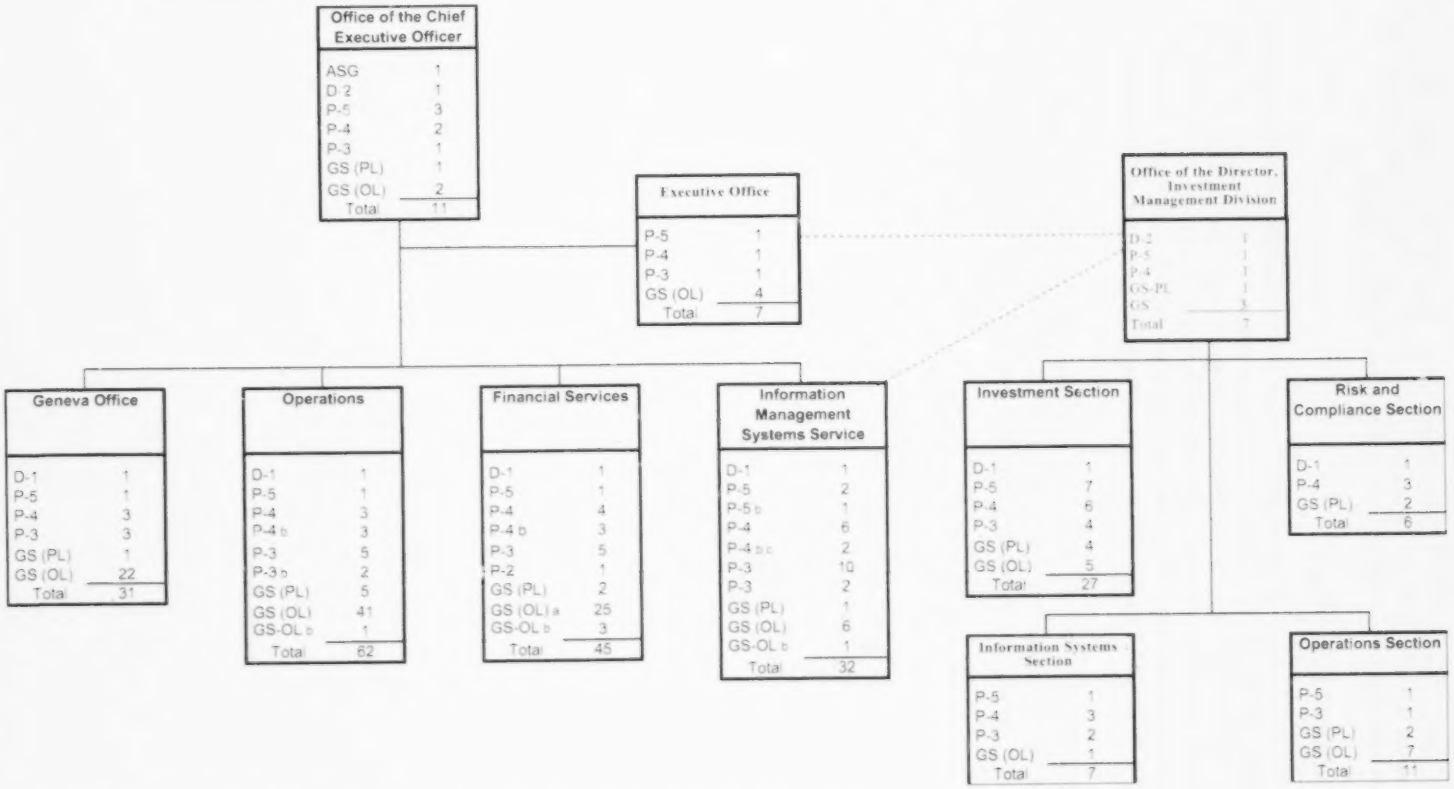
**Recommendations of the Board**

72. **On the basis of the recommendations of the working group, the Pension Board approved, for submission to the General Assembly, the proposed budget estimates amounting to $194,164,000, comprising administrative costs ($98,407,600), investment costs ($92,938,200), audit costs ($2,613,800) and Board expenses ($204,400). This amount would be apportioned $173,260,600 to the Pension Fund and $20,903,400 to the United Nations under the cost-sharing agreement.**

73. **In addition, the Board approved resources amounting to $156,800 from extrabudgetary funding for the processing of after-service health insurance premium payments for a number of member organizations upon their request.**

# Annex II

## United Nations Joint Staff Pension Fund: approved organization chart for the biennium 2010-2011




*Abbreviations:* ASG, Assistant Secretary-General; GS, General Service; OL, Other level; PL, Principal level.

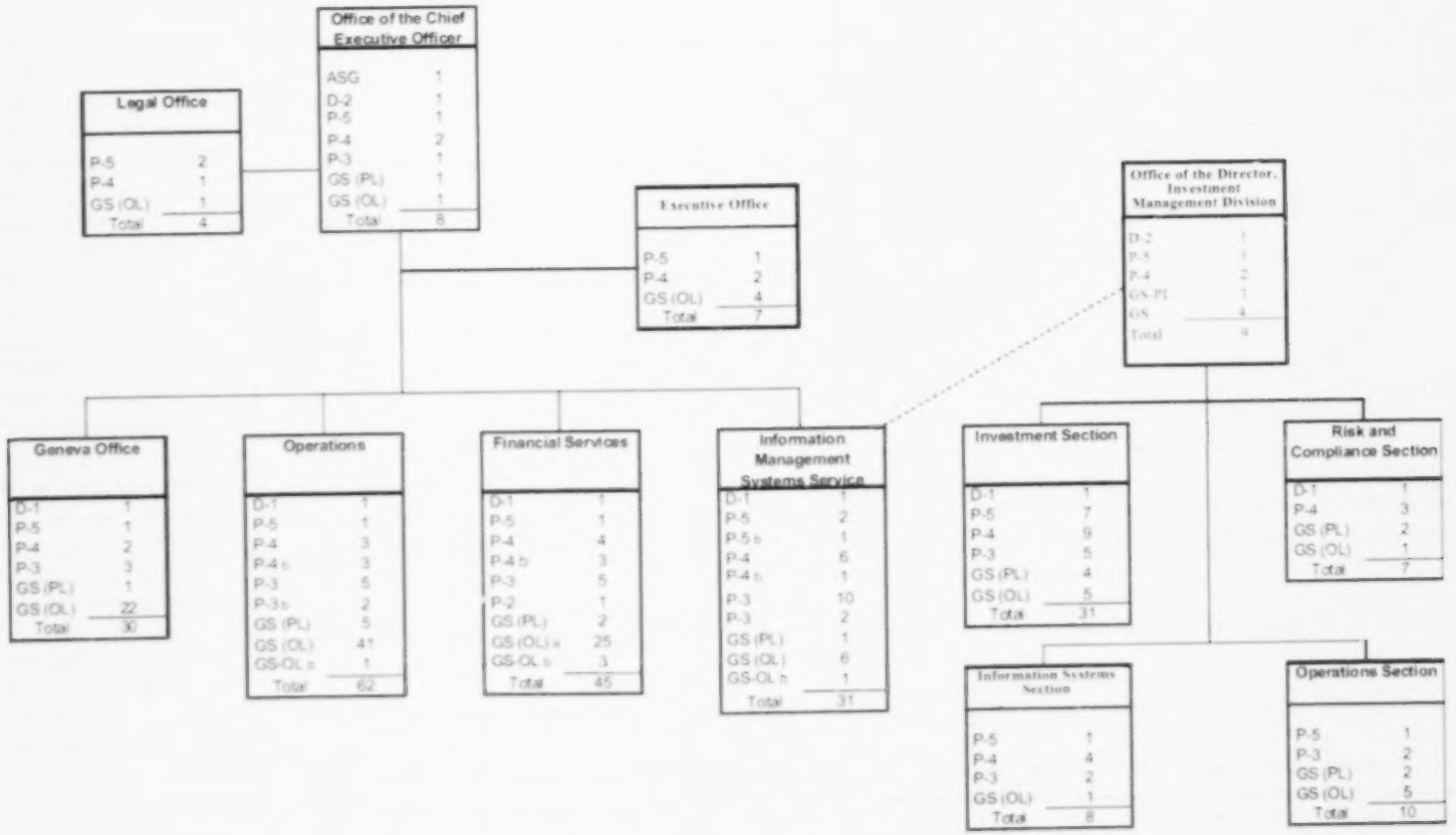
[a] One extrabudgetary General Service (Other level) post is funded by member organizations.

[b] Temporary posts authorized for the Integrated Pension Administration System project.

[c] One of the two P-4 temporary posts authorized for the Information Management Systems Service for the biennium 2010-2011 was authorized for 12 months only. It was abolished in 2011, reducing the number of temporary P-4 posts in the Service to one.

# Annex III

## United Nations Joint Staff Pension Fund: proposed organization chart for the biennium 2012-2013




*Abbreviations*: ASG, Assistant Secretary-General; GS, General Service; OL, Other level; PL, Principal level.

[a] One extrabudgetary General Service (Other level) post is funded by member organizations.

[b] Temporary posts authorized for the Integrated Pension Administration System project.

# Annex IV

## United Nations Joint Staff Pension Fund: number of participants by member organization as at 31 December 2016

| Member organization | Number of participants | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| United Nations[a] | 44 059 | 43 869 | 43 864 | 43 751 | 44 958 | 50 126 | 54 953 | 56 287 | 57 541 | 59 542 | 64 092 | 68 853 | 74 575 | 79 933 | 82 576 | 85 617 |
| International Labour Organization | 2 823 | 2 632 | 2 599 | 2 620 | 2 612 | 2 650 | 2 747 | 2 863 | 3 044 | 3 221 | 3 330 | 3 261 | 3 366 | 3 572 | 3 642 | 3 741 |
| Food and Agriculture Organization of the United Nations | 5 735 | 5 540 | 5 435 | 5 387 | 5 340 | 5 315 | 5 344 | 5 447 | 5 648 | 5 822 | 5 918 | 5 774 | 5 735 | 5 722 | 6 011 | 6 145 |
| United Nations Educational, Scientific and Cultural Organization | 2 561 | 2 667 | 2 588 | 2 650 | 2 629 | 2 452 | 2 414 | 2 437 | 2 517 | 2 528 | 2 508 | 2 469 | 2 526 | 2 553 | 2 602 | 2 632 |
| World Health Organization | 6 125 | 5 965 | 5 935 | 6 180 | 6 409 | 6 817 | 7 375 | 8 181 | 8 966 | 9 498 | 9 932 | 10 072 | 10 157 | 10 435 | 11 029 | 10 986 |
| International Civil Aviation Organization | 820 | 826 | 852 | 852 | 841 | 867 | 873 | 883 | 863 | 863 | 826 | 806 | 795 | 775 | 784 | 791 |
| World Meteorological Organization | 333 | 316 | 312 | 314 | 327 | 329 | 322 | 310 | 303 | 287 | 302 | 334 | 332 | 319 | 315 | 309 |
| General Agreement on Tariffs and Trade[b] | 476 | 538 | 529 | 542 | 7 | 4 | 3 | 1 | — | — | — | — | — | — | — | — |
| International Atomic Energy Agency | 2 146 | 2 057 | 2 053 | 2 075 | 2 068 | 2 076 | 2 125 | 2 168 | 2 207 | 2 217 | 2 261 | 2 278 | 2 273 | 2 229 | 2 245 | 2 307 |
| International Maritime Organization | 315 | 324 | 323 | 310 | 715 | 325 | 330 | 340 | 344 | 351 | 343 | 338 | 337 | 320 | 323 | 313 |
| International Telecommunication Union | 908 | 885 | 905 | 921 | 965 | 953 | 967 | 1 006 | 971 | 875 | 871 | 854 | 843 | 823 | 831 | 830 |
| World Intellectual Property Organization | 611 | 672 | 712 | 807 | 955 | 1 033 | 1 106 | 1 189 | 1 240 | 1 206 | 1 166 | 1 130 | 1 134 | 1 139 | 1 154 | 1 156 |
| International Fund for Agricultural Development | 302 | 295 | 298 | 332 | 338 | 344 | 383 | 435 | 462 | 488 | 506 | 502 | 519 | 526 | 534 | 540 |
| International Centre for the Study of the Preservation and Restoration of Cultural Property | 29 | 31 | 29 | 32 | 35 | 37 | 33 | 36 | 34 | 39 | 39 | 40 | 38 | 37 | 36 | 34 |
| European and Mediterranean Plant Protection Organization | 10 | 11 | 11 | 12 | 12 | 12 | 12 | 11 | 11 | 11 | 11 | 12 | 12 | 13 | 13 | 13 |

| Member organization | Number of participants | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007[a] | 2008 | 2009 | 2010 |
| United Nations Industrial Development Organization | 1 455 | 1 163 | 1 064 | 921 | 851 | 810 | 813 | 821 | 786 | 791 | 783 | 753 | 759 | 779 | 825 | 826 |
| International Centre for Genetic Engineering and Biotechnology | — | 136 | 138 | 141 | 142 | 145 | 145 | 150 | 152 | 162 | 171 | 173 | 177 | 191 | 194 | 190 |
| World Tourism Organization | — | 70 | 72 | 74 | 78 | 79 | 79 | 83 | 88 | 95 | 90 | 99 | 100 | 95 | 95 | 95 |
| International Tribunal for the Law of the Sea | — | — | 18 | 20 | 25 | 27 | 30 | 33 | 34 | 34 | 36 | 36 | 36 | 38 | 34 | 34 |
| International Seabed Authority | — | — | 3 | 30 | 28 | 31 | 28 | 34 | 34 | 28 | 30 | 29 | 29 | 32 | 31 | 32 |
| International Criminal Court[c] | — | — | — | — | — | — | — | — | — | 298 | 431 | 578 | 719 | 809 | 865 | 908 |
| Inter-Parliamentary Union[d] | — | — | — | — | — | — | — | — | — | — | 37 | 40 | 45 | 45 | 48 | 49 |
| International Organization for Migration[e] | — | — | — | — | — | — | — | — | — | — | — | — | 2 059 | 2 419 | 3 134 | 3 261 |
| Special Tribunal for Lebanon[f] | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 259 | 329 |
| **Total number of participants** | **68 708** | **67 997** | **67 740** | **67 971** | **68 935** | **74 432** | **80 082** | **82 715** | **85 245** | **88 356** | **93 683** | **98 431** | **106 566** | **112 804** | **117 580** | **121 138** |
| **Total number of member organizations** | **16** | **18** | **20** | **20** | **19** | **19** | **19** | **19** | **19** | **20** | **21** | **21** | **22** | **22** | **23** | **23** |

[a] The number of United Nations participants for 2006 was revised downward by 2, from 68,855 to 68,853.
[b] The General Agreement on Tariffs and Trade withdrew from the United Nations Joint Staff Pension Fund as from 31 December 1998.
[c] The International Criminal Court became the twentieth organization member of the Fund as at 1 January 2004.
[d] The Inter-Parliamentary Union became the twenty-first member as at 1 January 2005.
[e] The International Organization for Migration became the twenty-second member as at 1 January 2007.
[f] Special Tribunal for Lebanon became the twenty-third member as at 1 January 2009.